

COMPREHENSIVE

Annual Financial Report

FOR THE
FISCAL YEAR ENDED
DECEMBER 31, 2006

St. Louis County
Minnesota

Donald Dicklich – County Auditor

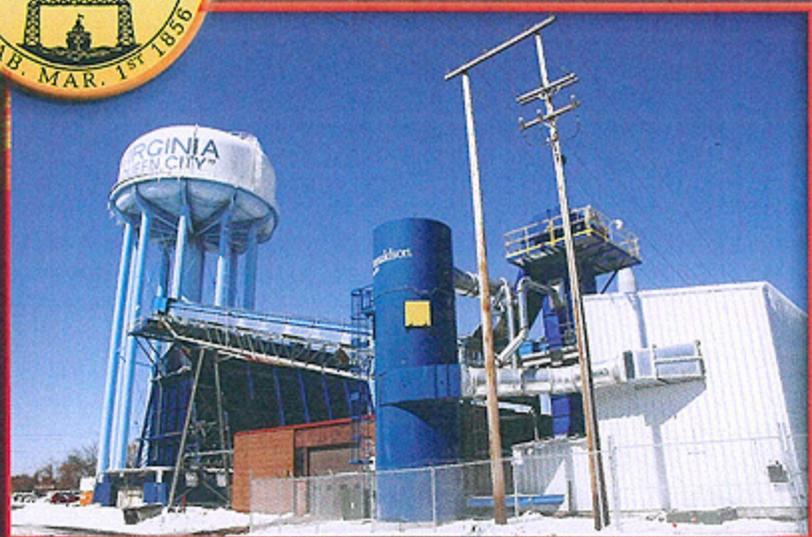
Duluth Clinic First Street Building, photo by Jack Rendulich



Laurentian Energy Authority Biomass Plant - Hibbing, photo by Greg Galatz



Laurentian Energy Authority Biomass Plant - Virginia, photo by George Croft



Duluth Clinic First Street Building

This \$63 million, 236,000-square-foot St. Mary's/Duluth Clinic Health System expansion was opened in April of 2006. It houses several specialties, including a Cancer Center, Digestive Health Center, and Breast Health Center, along with Pediatrics, OB/GYN, and Internal Medicine departments.

The Duluth Clinic First Street Building features wood from sustainable forests and emits virtually no volatile organic compounds. Its high-efficiency heating and cooling units use 25 percent less energy and 30 percent less water than comparable health care facilities. The building received the Leadership in Energy and Environmental Design program awarded gold certification in January for employing green building techniques.

Laurentian Energy Authority Biomass Plant - Hibbing

Laurentian Energy Authority Biomass Plant - Virginia

The Public Utilities of these two cities have created an energy authority to use boilers fueled from biomass (organic matter such as wood waste that can be processed into energy for heat, liquid fuels, and power generation) instead of coal and natural gas to produce steam and electricity. A total of \$80 million was invested in the project. Each city has a new boiler, fuel handling system, and auxiliary equipment to tie into existing turbine generators. The authority will produce a combined 35 megawatts of biomass energy in Hibbing (20 megawatts) and Virginia (15 megawatts).

Potential benefits of boilers fueled by biomass include reduced emissions from the energy production compared to coal, preserving 70 utility jobs, creating 65 to 100 new jobs, stabilizing steam heat costs and selling renewable energy at a profit.

St. Louis County Minnesota

Comprehensive Annual Financial Report
for the Fiscal Year Ending
December 31, 2006



**Donald Dicklich
County Auditor**

"The Mission of St. Louis County is to provide to its people those services mandated and/or expected by its citizens so as to provide a good quality of life."

ST. LOUIS COUNTY, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

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Saint Louis County

County Auditor – 100 North 5th Avenue West, Room 214 - Duluth, MN 55802-1293
Phone: (218) 726-2380 Phone – Virginia: (218) 749-7104 Fax: (218) 725-5060

Donald Dicklich
St. Louis County Auditor

June 21, 2007

To: The Citizens of St. Louis County, Minnesota
The St. Louis County Board of Commissioners
All Other Interested Parties

The Comprehensive Annual Financial Report of St. Louis County is hereby submitted for the fiscal year ended December 31, 2006. This report was prepared by the County Auditor's Accounting and Finance Division. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County.

Financial management of St. Louis County is based on an accounting and financial reporting system that must provide accurate, timely, and relevant information. The assets of the County are protected from fraud, errors, and misuse through the institution of internal controls. Internal controls are designed to safeguard assets, as well as to insure that accounting data are accurate for the preparation of financial statements in conformity with generally accepted accounting principles, and to carry out the County's policies.

St. Louis County is audited annually, as required by Minnesota Statutes § 6.48. This requirement has been complied with and the Office of the State Auditor has issued an unqualified ("clean") opinion on the St. Louis County financial statements for the year ended December 31, 2006. The independent auditor's report is located in the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) provides "financial highlights" and interprets the financial reports by analyzing trends and explaining changes in the financial condition of the County. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. St. Louis County's MD&A can be found immediately following the independent auditor's report.

Profile of the Government

St. Louis County was established in 1856. Located in Northeastern Minnesota, St. Louis County is the largest county east of the Mississippi River, covering 7,092 square miles from the Canadian border to Duluth. The County's population declined by roughly 4,000 people in the last five years, and now stands at approximately 196,000 people. The County has a low population density of 28 people per square mile. St. Louis County is empowered to levy a property tax on both real and personal property located within its boundaries.

The St. Louis County Board of Commissioners consists of seven commissioners elected by the seven districts that make up the County. All commissioners serve overlapping four-year terms of office. Each member of the County Board serves on various committees. The major committees are Public Health and Human Services, Environment and Natural Resources, Public Works and Transportation, Finance and Budget, Central Management and Inter-Governmental, and Public Safety and Corrections.

The Board appoints a County Administrator who is the chief administrative officer of the County and is responsible for the administration of Board policy and for the management of various County divisions and departments. The County Attorney, the County Auditor, and the Sheriff are elected officials.

The County provides a full range of services contemplated by statute. These services include public safety, public works, health, county attorney, cultural, and human services; maintenance of property records, vital statistics, issuance of various permits and licenses; and the administration of property tax assessment, collection, and distribution for local governments within the County.

The St. Louis County Board of Commissioners is required by state law to annually adopt a budget for the next fiscal year for the General, Special Revenue, Debt Service, and Capital Projects Funds. The County incorporates budgetary controls which ensure that County departments comply with the annual budget. Encumbrance accounting is used to determine availability of funds prior to incurring a specific obligation and to insure that proper policies and regulations have been followed. Encumbrances outstanding at year-end are reported as reserves of fund balances. County departments are comprised of one or more sub-departments (agencies). County departments can spend their agency level budgets on any line item within that agency as long as the total agency budget is not overspent. However, no public aid assistance and/or personal services budget authority may be used for any other purpose without Board approval.

Local economy

The major industries in the County are mining, wood and paper products, shipping, health care, education, and tourism.

The taconite industry remains the economic future of Northeastern Minnesota. The iron mining industry creates jobs in the mines and plants, spending millions in salaries and wages. The taconite industry employed more than 1,700 people in 2006. In addition, hundreds of supplier/vendor businesses provide products and services to the industry while creating thousands of jobs in those supplier/vendor businesses. U.S. Steel's Minntac Mine in Mountain Iron is the largest taconite facility in North America. It is estimated that Iron Range taconite plants pump more than \$1.5 billion into the state economy each year in the form of purchases, wages and benefits, taxes, and royalties. The total 2005 Taconite Production Tax assessed the six taconite plants was \$86.9 million. The money was distributed to cities and townships, school districts, counties, property tax relief for taxpayers, and the Iron Range Resources and Rehabilitation Agency (IRRA) in 2006.

Taconite production in 2006 was 38.9 million tons, which was .6 million tons less than 2005. The reduction was due primarily to an explosion and electrical fire at one mine and a cut back at another mine due to reduced demand. Production is expected to decline slightly, but still remain relatively stable for 2007. China continues to be a net exporter of steel on the world market. The capacity of the Chinese steel industry is now 350 million tons compared to a U.S. capacity of about 100 million tons.

Located at the western tip of Lake Superior, the Port of Duluth-Superior had total cargo in 2006 of 42.9 million metric tons, as compared to 41.7 million tons in 2005, a 2.8% increase. The 2006 tonnage was the highest level since 1979 at 43.8 million tons. The port is the number one iron ore loader nationally, and it is the number one grain loader on the Great Lakes.

St. Louis County has three large health care delivery systems: CareNorth Health System, Essentia Health, and Fairview Range Regional Health Services.

Cirrus Design Corp, a Duluth-based company, reported 721 new aircraft shipped in 2006, which represents an increase of 20.2% over 2005. Cirrus fell short of edging Cessna Aircraft out of its long held position as the nation's largest producer of four-seat piston-engine airplanes. Cessna produced 15 more planes than Cirrus in 2006. Today, Cirrus employs more than 850 people in Duluth.

The top three employers in St. Louis County for 2006 were St. Mary's/Duluth Clinic Health System with 4,281 employees, Benedictine Healthcare System with 3,593 employees, and St. Louis County with 2,126 employees. Six years ago they were also the top three employers and in the same order. Benedictine Healthcare System is the only employer of the three that had more employees in 2006 than in 2000.

During the past ten years the taxes levied for the fiscal year have risen by more than \$20.2 million or 38.8%. Taxes levied for 1997 were \$52.0 million while taxes levied for 2006 were \$72.2 million. The average taxes collected for each fiscal year of the levy for the same ten year period is 97.0%. In five of the those ten years, tax collections were under 97.0%, with collections in the other five years over 97.0%, but short of 98.0%. Subsequent years of delinquent tax collections will put collections for each year of the ten year period over 99.0%.

The population of St. Louis County for the past ten years has been slightly above 200,000 three years and below 200,000 the other seven years. The population in 2006, the lowest of the ten years, was 5.3% less than the highest year 2001. The County's school enrollment for 2006 was the lowest it has been in the last ten years. The 2006 enrollment was 19.7% less than in 1997, the highest enrollment year of the ten year period.

St. Louis County's full-time equivalent employees has declined 13.4% over the past ten years from a high of 2,312 in 1997 to a low of 2,001 in 2006. Other than planned cutbacks by County officials, major factors contributing to the drop in employees are the closing of a nursing home and the transfer of court employees to the State of Minnesota.

Long-term financial planning

In 2006, St. Louis County received \$11.0 million in taconite production tax revenues for the County's General Fund and Road and Bridge Fund. The Iron Range taconite industry also distributed another \$4.4 million for the County's share of a tax credit for homeowners in a legislatively defined area in the County. It is possible that due to the long-term uncertainty of the taconite industry, the County may have to look at methods of replacing some or all of the taconite monies with other revenues and/or through reductions in expenditures. However, the past three years have seen higher taconite production and the projections for 2007 look equally promising.

Future budgets will rely on the stability of State funding. The County will need to constrain the rate of growth in expenditures rather than replacing lost state aid dollars with levy dollars.

Chris Jensen Health and Rehabilitation Center once again had an operating loss in 2006 and will need a transfer from the General Fund to cover its cash deficit at year end. Solving this ongoing financial problem will be a difficult challenge.

The rapid increases in health care costs will be another issue that will have to be dealt with in the years ahead. Since 2000, the premiums paid by the County and its employees toward employee health coverage have risen by 65.1 %.

The County, in 1995, recognizing that it would be prudent to set aside cash reserves to meet unexpected cash flow shortages, began to designate some of its fund balances for cash flow. A formal policy is in place to guide the designation of these funds. The County's goal for the General Fund, the Road and Bridge Special Revenue Fund, and the Public Health and Human Services Special Revenue Fund, which are major operating funds that are supported in part by direct property tax levy, is to designate a portion of the available fund balances equal to 5/12 of the certified levy for each fund, plus its share of the program aid paid to the County by the State of Minnesota. At December 31, 2006, the goal was 91.4% accomplished for the General Fund, 69.2% accomplished for the Road and Bridge Fund, and 31.8% accomplished for the Health and Human Services Fund.

Recognizing the need to pre-fund retirees' health insurance premiums, which are set aside for the retired employees from their sick leave balances at retirement, the County began in 1994 to designate 1/9 per year of the amount estimated to be paid from the General Fund and Special Revenue Funds for those employees who are eligible to retire immediately. As of December 31, 2006, 100% of the estimated retiree obligations (vested sick leave) amount is designated.

In 2000, the County began to designate for the General Fund and Special Revenue Funds 1/9 per year of the amount estimated to be paid for those employees who are not eligible to retire immediately, but probably will retire from the County. As of December 31, 2006, 7/9 of the estimated vesting sick leave amount needed was designated.

The County has also designated other monies for future uses. This is normally done by adding the excess of revenues over expenditures in the current year for each purpose onto the balances from previous years until there is a need for monies for which the designation was established.

The County, during the 2007 budget process, started charging all departments 105% of the operating expense of each building as rent to build up a depreciation reserve account to be used for major repairs.

Major initiatives

Appropriations were made by the County Board to fund costs relating to methamphetamine abuse, a Drug-Endangered Child Program, the Septic Loan Fund, and low-income heating assistance.

Capital Equipment Notes of \$5.0 million will be issued in mid-2007. The proceeds will be used to purchase capital equipment in 2007 and 2008.

The Public Works department selected MRO Software to implement a Fleet Maintenance and Cost Accounting System in April of 2006 and began implementation soon after. The system is expected to be operational by June of 2007 and will interface with Highline Human Resources/Payroll System and the Mitchell Humphrey Financial Management System.

The County Board has scheduled hearings in April and May of 2007 to allow public comment by citizens of St. Louis County relative to a proposed ordinance to prevent human exposure to the harmful effects of second-hand tobacco smoke. An ordinance on second-hand smoke was discussed by the County Board during 2006. The State of Minnesota has since passed a statewide smoking ban that will take affect October 1, 2007, and precedes any County actions.

The County has begun investing in a Geographic Information System (GIS)/Land Records Portal that is cost neutral due to funding from new revenues in the Recorder's office. This technology initiative will improve future service to the public.

A new County position was created for an Iron Range Youth in Action (IRYA) Program Coordinator. The coordinator serves as a liaison between youth and local governments to build resources for youth in their communities. The programs place an emphasis on prevention of undesirable youth behavior such as drug and alcohol use, and focuses youth on positive, community related projects. Membership in IRYA has grown from 20 in 2000 to 440 in 2007.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to St. Louis County for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2006.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. St. Louis County has received the Certificate for the last eighteen consecutive years. We believe our current report will conform to the Certificate of Achievement Program requirements, and are thus submitting it to the GFOA.

In addition, St. Louis County also received the GFOA's Distinguished Budget Presentation Award for its biennial budget document for the fiscal year beginning January 1, 2005. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Comprehensive Annual Financial Report in accordance with the GASB 34 financial reporting model was made possible by the dedicated work of the employees of the Accounting and Finance Division. In addition, I would like to express my appreciation to the employees of the Public Health and Human Services Department and the Public Works Department for their dedication and cooperation during the preparation of this report. I am grateful to the County Board of Commissioners and to the Department of Administration for their leadership and support in formulating the financial activities of the County, without which the preparation of this report would not have been possible. Many other County departments extended assistance and cooperation to my office during this time and I thank them also.

Special thanks are due to the State Auditor's staff for their technical assistance during the audit and during the year. We acknowledge, too, the thorough and professional manner in which they conducted their audit.

Sincerely,


DONALD DICKLICH
County Auditor

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St. Louis County Legislative Districts

2003

2003 Minnesota Legislative Districts

Tom Rukavina (DFL) 05A
279 State Office Building
Saint Paul, Minnesota 55155
(651) 296-0170

Anthony Sertich (DFL) 05B
233 State Office Building
Saint Paul, Minnesota 55155
(651) 296-0172

David Dill (DFL) 06A
315 State Office Building
Saint Paul, Minnesota 55155
(651) 296-2190

Mary Murphy (DFL) 06B
343 State Office Building
Saint Paul, Minnesota 55155
(651) 296-2676

Thomas Huntley (DFL) 07A
335 State Office Building
Saint Paul, Minnesota 55155
(651) 296-2228

Mike Jaros (DFL) 07B
291 State Office Building
Saint Paul, Minnesota 55155
(651) 296-4246

Bill Hilty (DFL) 08A
207 State Office Building
Saint Paul, Minnesota 55155
(651) 296-4308

City of Duluth Precincts

District 6B: Prec. 11, 24-26,33
District 7A: Prec. 1-10, 12-13, 15-17
District 7B: Prec. 14, 18-23, 27-32, 34-36

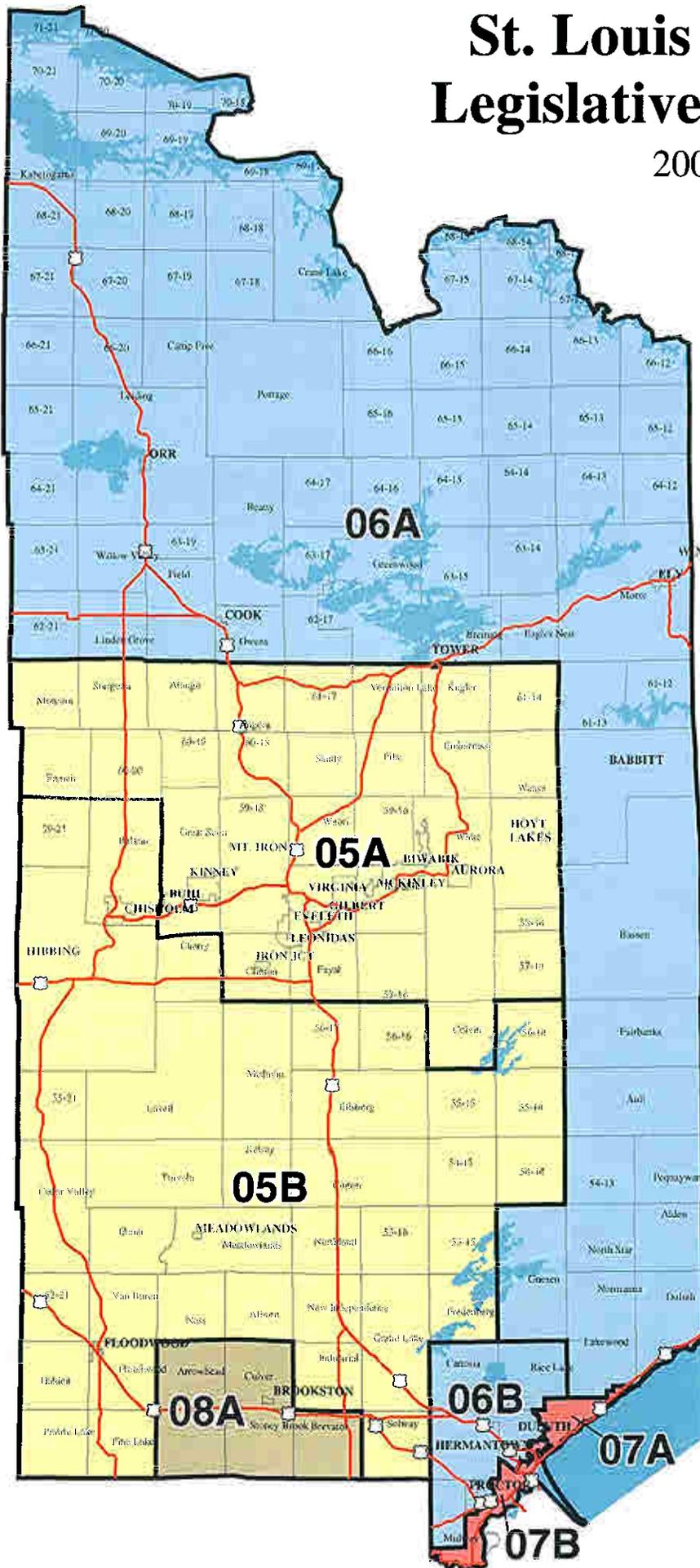
Legend

05 House District Boundaries

Senate District Areas

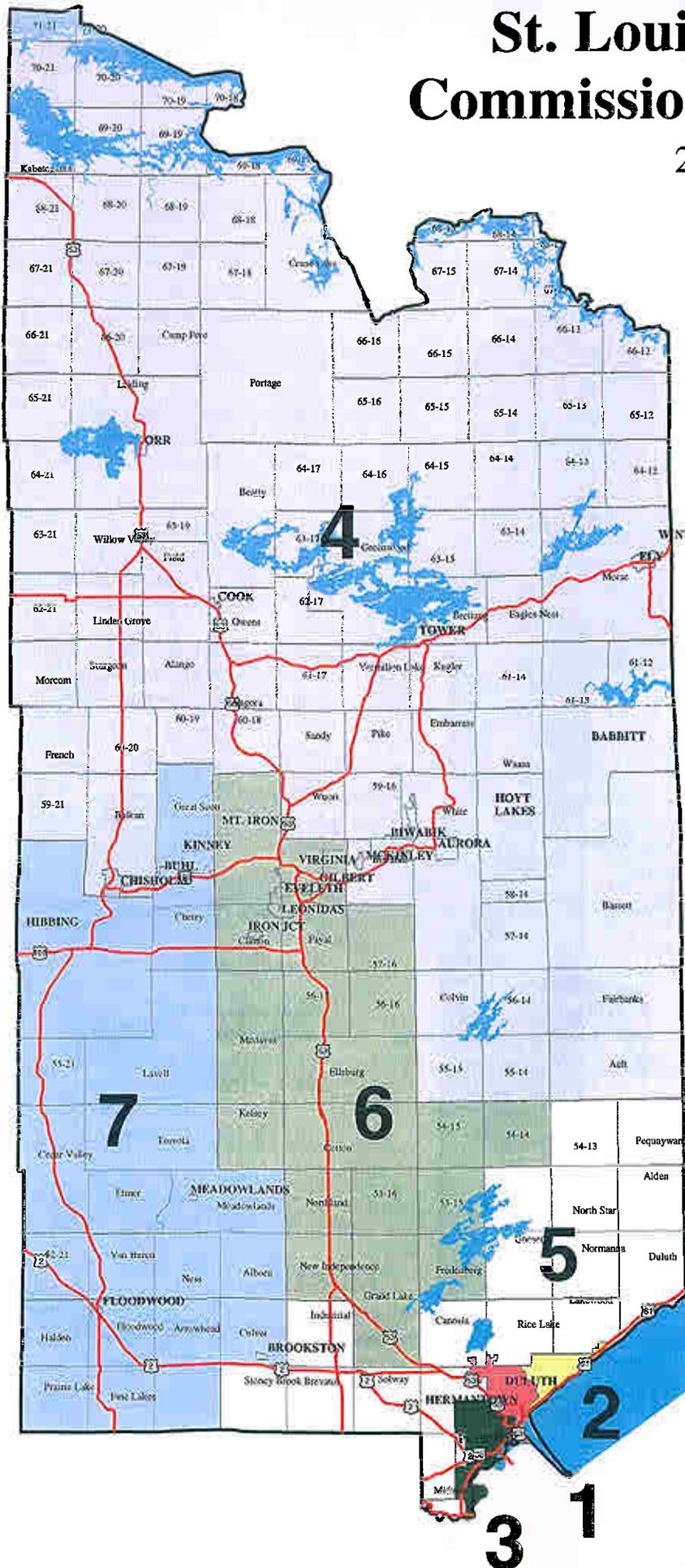
05	David J. Tomassoni	Room 321, Capitol (651)296-8017
06	Thomas M. Bakk	Room 301, Capitol (651)296-8881
07	Yvonne Prettner Solon	Room 303, Capitol (651)296-4188
08	Becky Lourey	Room G-24, Capitol (651)296-0293

Source: <http://www.leg.state.mn.us/leg/>



St. Louis County Commissioner Districts

2004



St. Louis County Commissioners

1st District

Dennis Fink
100 N. 5th Avenue West Rm. #208
Duluth, Mn 55802-1292
(218) 726-2450

2nd District

Steve O'Neil
100 N. 5th Avenue West Rm. #208
Duluth, Mn 55802-1292
(218) 726-2450

3rd District

Bill Kron
100 N. 5th Avenue West Rm. #208
Duluth, Mn 55802-1292
(218) 726-2450

4th District

Mike Forsman
118 S. 4th Avenue East
Ely, Mn 55731
(218) 365-8200

5th District

Peg Sweeney
100 N. 5th Avenue West Rm. #208
Duluth, Mn 55802-1292
(218) 726-2450

6th District

Keith Nelson
St. Louis County Courthouse
Virginia, Mn 55792
(218) 749-7108

7th District

Steve Raukar
St. Louis County Courthouse
Hibbing, Mn 55746
(218) 262-0201

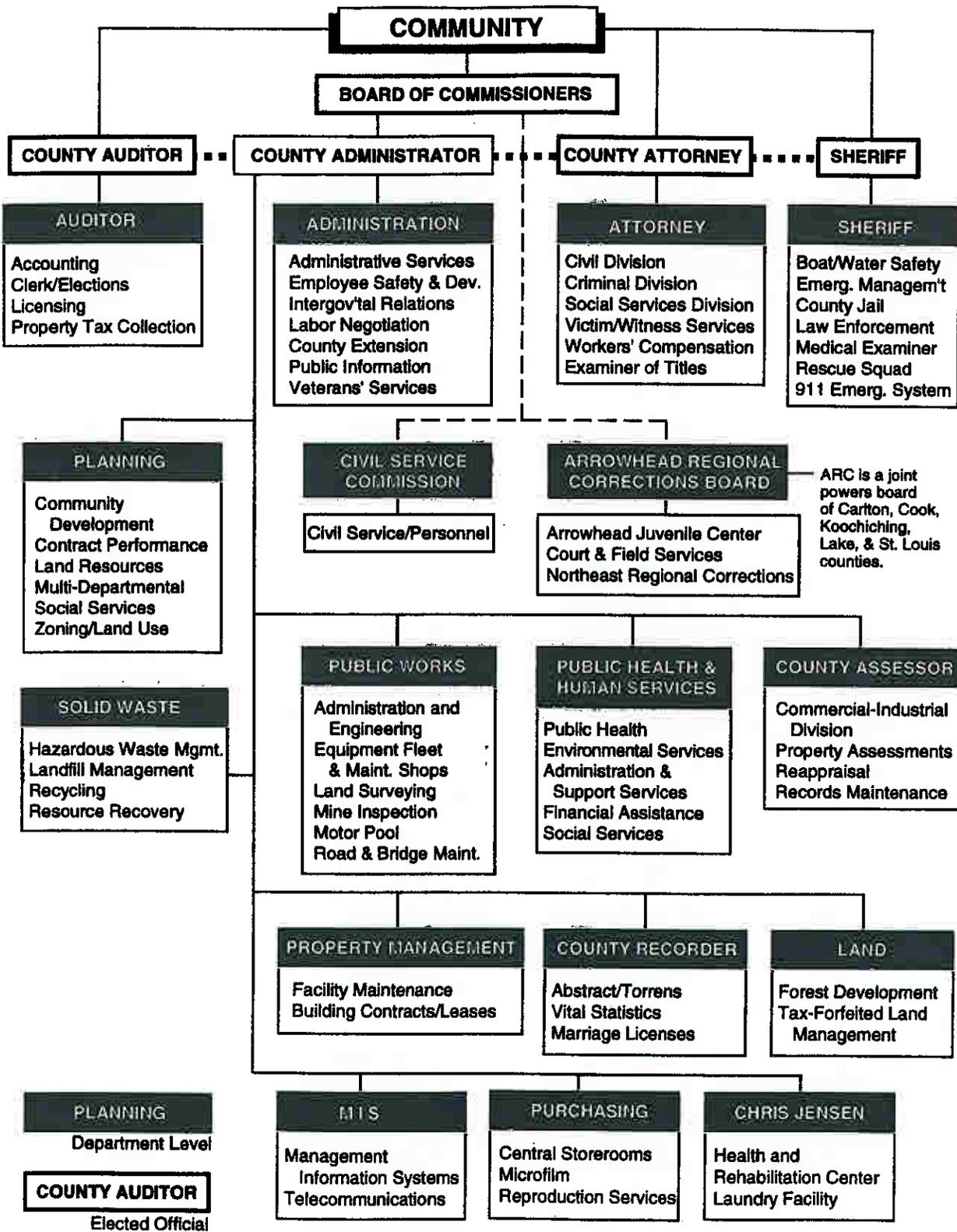
City of Duluth Precincts

- District 1: Prec. 10-12, 15-22, 24-25
- District 2: Prec. 1-9, 13-14
- District 3: Prec. 23, 26-35
(Incl. Prec 3, Hermantown)
- District 5: Prec. 36

**St. Louis County
Elected and Appointed Officials
as of December 31, 2006**

Office	Name	Term
Commissioners:		
1st District	Dennis Fink	Jan. 2003 Jan. 2011
2nd District	Steve O'Neil	Jan. 2005 Jan. 2009
3rd District	William Kron	Jan. 2005 Jan. 2009
4th District	Mike Forsman	Jan. 2003 Jan. 2011
5th District	Peg Sweeney	Jan. 2005 Jan. 2009
6th District	Keith Nelson	Jan. 2003 Jan. 2011
7th District	Steve Raukar	Jan. 2003 Jan. 2011
Elected Officers:		
Attorney	Alan L. Mitchell	Jan. 2003 Jan. 2007
Auditor	Donald Dicklich	Jan. 2004 Jan. 2011
Sheriff	Ross Litman	Jan. 2003 Jan. 2011
Appointed Officers:		
Administrator	Dana Frey	
Assessor	Mel Hintz	
Civil Service Director	Anthony Bruno, Jr.	
Emergency Communications Director	Kevin Kivisto	
Examiner of Titles	David W. Adams	
Land Commissioner	Robert Krepps	
Management Information Systems Director	Martin Buscombe	
Planning Director	Barbara Hayden	
Property Management Director	Tony Mancuso	
Public Health and Social Services Director	Ann Busche	
Public Works Director	Marcus Hall	
Purchasing Agent	Richard Florey	
Recorder	Mark Monacelli	
Solid Waste Director	Theodore Troolin	
Chris Jensen Health and Rehabilitation Center Director	Norma Brendle	

Organizational Summary



Revised 3/06

Certificate of Achievement for Excellence in Financial Reporting

Presented to

St. Louis County
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-Mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
St. Louis County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of St. Louis County as of December 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise St. Louis County's basic financial statements. The combining and individual nonmajor fund financial statements and miscellaneous schedules listed in the table of contents as supplementary data are presented for purposes of additional analysis and are not a required part of the basic financial statements of St. Louis County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2007, on our consideration of St. Louis County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 21, 2007

**MANAGEMENT'S
DISCUSSION AND
ANALYSIS**

St. Louis County, Minnesota
Management's Discussion and Analysis
December 31, 2006

Our discussion and analysis of St. Louis County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the accompanying transmittal letter and basic financial statements.

FINANCIAL HIGHLIGHTS

The County's total net assets increased by \$31.4 million or 7.7%. Governmental activities increased by \$27.4 million, while the County's business-type activities increased by \$4.0 million.

The County's governmental funds reported combined ending fund balances of \$119 million, an increase of only \$1.3 million compared to \$14.5 million for 2005. Part of the combined fund balances, \$20.7 million, is reserved and not available for appropriation. Of the remaining \$98.3 million (unreserved fund balance), \$65.9 million has been designated for specific uses and \$32.4 million remains undesignated.

The General Fund reported revenues in excess of expenditures of \$3.1 million. Other financing uses totaled \$2.1 million, increasing the fund balance in the General Fund to \$40.1 million at year end.

St. Louis County's total bonded debt decreased in 2006 by \$.5 million (1.1%) to \$46.0 million. Capital Improvement Crossover Refunding Bonds were issued with proceeds being used to refund the 2009 balance owed on Capital Improvement Bonds Series 2001 of \$7.8 million.

Several account balances were reclassified as of and for the year ended December 31, 2005, as previously reported. These reclassifications must be considered when comparing these financial statements with those of prior reports.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide financial statements. One of the most important questions asked about the County's finances is whether the County as a whole is better or worse as a result of this year's activities. The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the County's net assets and changes to them. Think of the County's net assets - the difference between assets and liabilities - as one way to measure the County's financial health, or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of the County's roads, to assess the overall health of the County.

The government-wide financial statements can be found on pages 25-27 of this report.

Fund financial statements. These statements provide detailed information about the most significant funds - not the County as a whole. Some funds are required to be established by State law and by bond covenants. However, the County Board establishes many other funds to help control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other monies. The County funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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Governmental funds: Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationships (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the financial statements.

The County maintains five individual major governmental funds. Information is provided separately for each major fund on the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances. The major funds are the General Fund, Road and Bridge Fund, Public Health and Human Services Fund, Forfeited Tax Sale Fund, and the Capital Projects Fund. Data for the nonmajor governmental funds is combined into "other governmental funds." Individual data for each of these seven nonmajor governmental funds is provided in the supplementary data.

The County adopts an annual appropriated budget for its governmental funds. A budgetary comparison for the major governmental funds (except for the Capital Projects Fund) is provided to demonstrate compliance with the budget.

The basic financial statements for governmental funds can be found on pages 29-41 of this report.

Proprietary funds: When the County charges customers for the services it provides, whether to outside customers or to other units of the County, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The County uses enterprise funds (a component of proprietary funds) to report the activities of two major funds: the Solid Waste Management Fund and the Chris Jensen Health and Rehabilitation Fund, as well as three nonmajor enterprise funds. Data for the nonmajor funds is combined into "other enterprise funds." Individual data for each of the nonmajor enterprise funds is provided in the supplementary data. These funds are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information. The County uses internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the County's other programs and activities, such as the County's Telecommunication Fund. The basic financial statements can be found on pages 43-47 of this report.

Fiduciary funds: The County is the trustee, or fiduciary, for certain amounts held for others. The County uses trust and agency funds to report its fiduciary activities. The County's fiduciary activities are reported in the Statement of Fiduciary Net Assets and Statement of Changes in Fiduciary Net Assets and are excluded from the Government-wide Financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The accounting used for fiduciary funds is much like that used in proprietary funds. The basic financial statements can be found on pages 49-50 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 53-90 of this report.

Supplementary data. The combining statements for nonmajor governmental funds and proprietary funds, internal service funds, fiduciary funds, and miscellaneous schedules are provided on page 92-130.

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Government-wide Financial Analysis

Net assets may over time be a useful indicator of a government's financial position. In the case of St. Louis County, assets exceeded liabilities by \$437.6 million.

By far the largest portion of the County's net assets is the investment in capital assets (72.7 percent), which reflects St. Louis County's investment in capital assets less any related debt used to acquire those assets that is still outstanding. Because the County uses these capital assets to provide services to citizens, they are not available for future spending. Although investments in capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

This is the County's fifth year for reporting government-wide financial statements using the full accrual basis of accounting.

Table 1
St. Louis County's Net Assets
 (in Millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 191.6	\$ 179.8	\$ 20.5	\$ 15.9	\$ 212.1	\$ 195.7
Capital assets	336.7	314.6	13.5	14.2	350.2	328.8
Total Assets	528.3	494.4	34.0	30.1	562.3	524.5
Long-term liabilities outstanding	90.2	92.0	4.5	4.5	94.7	96.5
Other liabilities	28.9	20.6	1.1	1.2	30.0	21.8
Total liabilities	119.1	112.6	5.6	5.7	124.7	118.3
Net assets:						
Invested in capital assets, net of debt	304.7	284.6	13.3	14.2	318.0	298.8
Restricted	36.4	26.2	1.5	1.4	37.9	27.6
Unrestricted	68.1	71.0	13.6	8.8	81.7	79.8
Total Net Assets	\$ 409.2	\$ 381.8	\$ 28.4	\$ 24.4	\$ 437.6	\$ 406.2

The following analysis focuses on the County's net assets (Table 1).

Governmental Activities:

The County's net assets increased by \$27.4 million, or 7.2%, from \$381.8 million to \$409.2 million. St. Louis County is able to report positive balances in all three categories of net assets. The same held true for the prior three fiscal years.

The current and other assets increase by \$11.8 million primarily because the County issued Capital Improvement Crossover Refunding Bonds Series 2006A for \$7.9 that classified as "assets held by an escrow agent" until the proceeds are used in 2009 to call another bond issue. Cash and investments increased a combined \$7.1 million in 2006. Investments increased by a total of \$4.1 million due to the Shoreline Sales Fund investing \$6.2 million with the State Board of Investment and the Insurance Funds increasing by \$2.9 million due to profits in each fund, while the Capital Project Fund spent down its investments by \$5.0 million.

Capital assets increased by \$22.1 million in 2006 compared to \$6.6 million in 2005. A detailed analysis of this increase is presented in Table 4 on page 23, under the heading Capital Assets and Debt Administration.

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The County's long-term liabilities outstanding decreased by \$1.8 million, to \$90.2 million. The main cause for the decrease was that claims payable in the Workers' Compensation Insurance Fund decreased by more than \$1.1 million and bonds and notes payable decreased by \$.4 million in 2006. A detailed analysis of the decrease in outstanding debt is presented in Table 5 on page 24, under the heading Capital Assets and Debt Administration.

Other liabilities increased by \$8.3 million in 2006. This was due largely to an advance on 2007 funding from the State of Minnesota for road construction of \$6.4 million and an increase in accounts payable of \$2.2 million. Managements decision to pay all claims as "net 30" rather than immediately contributes to this increase,

Invested in capital assets, net of related debt, increased by \$20.1 million in 2006. This was the result of capital assets, increasing by \$22.1 million, while the debt related to those assets increased by \$2.0 million.

Restricted net assets increased \$10.2 million to \$36.4 million. Bond proceeds from the 2006A Crossover Refunding Bonds that are held by an escrow agent of \$7.9 million caused the Debt Service Fund to increase \$4.9 million. Other significant increases were \$1.4 million in the Special Revenue Funds and \$2.7 million in the Capital Projects Funds. Restricted assets for the law library, recorder's equipment, election equipment, communications, unorganized roads and environmental trust funds all increased by either \$.2 or \$.3 million

Unrestricted net assets are the sum of the fund balances in the governmental funds that are available for spending at the County's discretion. The County's unrestricted net assets were \$68.1 million at the end of 2006 down from \$71.0 million at the end of 2005. Most of the unrestricted net assets are reserved or designated in the fund statements. The largest reserves/designations are for cash flow at \$34.0 million a decrease of \$1.9 million from 2005, retiree obligations which increased \$1.5 million to \$18.2 million and vesting sick leave at \$8.9 million an increase of \$.7 million.

Business-type Activities:

The County's net assets for business-type activities increased by \$4.0 million to \$28.4 million. This was caused by total assets increasing by \$3.9 million while total liabilities decreased \$.1 million. This was due primarily to a reduction in interfund balances of \$3.9 million. Interfund balances are a combination the internal service fund adjustments related to business type activities and the net of interfund receivable and payable between governmental funds and business type funds. As with the governmental activities, St. Louis County was able to report positive balances in all three categories of net assets, and the same held true for the prior two fiscal years.

Current and other assets increased \$4.6 million to \$20.5 million. The Solid Waste Management Fund had an increase of \$.8 million in investments. Also the internal balances decreased from \$(4.8) million to \$(.9) million. The decrease was the result of a permanent transfer being made to Chris Jensen Health and Rehabilitation Center from the General Fund to cover their end-of-year cash deficit rather than an interfund loan. The adjustments made to reflect the consolidation of internal service fund activities related to enterprise funds also decreased.

Capital assets decreased \$.7 million to \$13.5 million. Buildings and structure and improvements other than buildings had depreciation expense of \$.4 million each while machinery and equipment and vehicles had \$.1 of depreciation expense each. New capital asset purchases totaled only \$.3 million with the Solid Waste Management Fund making more than half the purchases. A detailed analysis of this increase is presented in Table 4 on page 23, under the heading Capital Assets and Debt Administration.

The unrestricted net assets increased by \$4.8 million. The Solid Waste Management Fund increased by \$1.2 million. However the primary increase was the result of the transfer made to Chris Jensen Health and Rehabilitation Center from the General Fund for \$4.2 million to cover their year end cash deficit.

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Table 2
St. Louis County's Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2004
Revenues						
<i>Program Revenues:</i>						
Charges for services	\$ 47.9	\$ 41.5	\$ 23.1	\$ 23.4	\$ 71.0	\$ 64.9
Operating Grants and Contributions	40.7	39.4	0.5	0.5	41.2	39.9
Capital Grants and Contributions	13.4	9.9	-	-	13.4	9.9
<i>General Revenues:</i>						
Taxes:						
Property taxes, levied for gen. purposes	85.8	80.8	-	-	85.8	80.8
Property taxes, levied for debt service	5.6	5.5	0.2	0.2	5.8	5.7
State shared	25.7	27.4	-	-	25.7	27.4
Federal shared	1.2	1.2	-	-	1.2	1.2
Investment income	7.9	4.1	0.7	0.4	8.6	4.5
Contributions to Permanent Fund	-	0.1	-	-	-	0.1
Miscellaneous	0.2	0.2	-	-	0.2	0.2
Total revenues	228.4	210.1	24.5	24.5	252.9	234.6
Expenses						
<i>Program expenses:</i>						
General government	30.7	29.1	-	-	30.7	29.1
Public safety	39.7	36.1	-	-	39.7	36.1
Highways and streets	37.6	46.7	-	-	37.6	46.7
Health and sanitation	6.8	6.2	-	-	6.8	6.2
Human services	65.7	61.3	-	-	65.7	61.3
Culture and recreation	1.6	1.3	-	-	1.6	1.3
Conservation of natural resources	8.4	6.9	-	-	8.4	6.9
Economic development	4.6	4.3	-	-	4.6	4.3
Interest on long-term debt	2.0	1.7	-	-	2.0	1.7
Solid Waste Management	-	-	6.2	6.2	6.2	6.2
Chris Jensen Health & Rehabilitation	-	-	15.0	15.3	15.0	15.3
Other Enterprise funds	-	-	3.2	3.1	3.2	3.1
Total expenses	197.1	193.6	24.4	24.6	221.5	218.2
Increase in net assets before transfers and special items	31.3	16.5	0.1	(0.1)	31.4	16.4
Loss on sale of nursing home	-	(1.0)	-	-	-	(1.0)
Transfers	(3.9)	-	3.9	-	-	-
Increase (decrease) in net assets	27.4	15.5	4.0	(0.1)	31.4	15.4
Net assets January 1 - Restated	381.8	366.3	24.4	24.5	406.2	390.8
Net assets December 31	\$ 409.2	\$ 381.8	\$ 28.4	\$ 24.4	\$ 437.6	\$ 406.2

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The following analysis focuses on the County's changes in net assets (Table 2).

Governmental Activities:

Charges for service increased by \$6.4 million to \$47.9 million in 2006. The largest increases were land and timber sales at \$4.4 million and Human Services at \$1.7 million, primarily through an increase in state reimbursements for services of \$1.1 million. General government had a \$.3 million decrease partially due to the state takeover of the court system and the subsequent loss of \$.7 million in fines and forfeitures.

The County received \$1.3 million more from operating grants and contributions during 2006 than 2005. Conservation and natural resources increased by more than \$.8 million in 2006 due mainly to a new county forest restoration grant from the state to be used by the Land Department. The Sheriff's department received a federal homeland security grant for \$2.6 million of which \$.7 million was used for operations. The remainder of the homeland security grant was spent on capital equipment. Capital grants to Highways and Streets for road construction remained at \$9.9 million in 2006. The County Auditors office received a \$1.9 million federal capital grant for voter registration equipment.

Property tax collection were \$91.4 million in 2006 compared to \$86.3 million in 2005. The increase in collections was the result of an increase in the County levy for 2006 of \$4.5 million. Also state monies used to offset the actual levy that is spread to tax payers decreased and had to be picked up by the tax payers.

The state shared general revenues decreased by \$1.7 million. County program aid was cut \$1.2 million and is the largest part of this decrease.

The interest earnings increased by \$3.8 million to \$7.9 million in 2006. The County's average yield on securities for 2005 was 2.97%; the average yield for 2006 was 4.41%. A required year-end accounting adjustment for marking investments to their true market value as of December 31, 2006, caused the interest earnings to be increased by \$.3 million. It is the County's policy to hold investments to maturity, thereby avoiding any market value losses or gains.

Expenses increased \$3.5 million in 2006, to \$197.1 million for all governmental activities. One of the largest increases was in Public Safety at \$3.6 million. Part of that increase was from the spending of grant monies by the Sheriff's Department. All programs had increases in expenses except Highway and Streets which declined \$9.1 million. The decline in Highway and Streets expenses was largely due to a change in the estimated useful life of infrastructure going from 25 years to 55 years. This resulted in a reduction in depreciation expense of \$10.4 million for 2006. Part of the increases in expenses occurred because health insurance premiums increased by 14.0%. Most County employees did not receive an actual wage increase in 2006 however an estimated 2.0% of wages for retro pay was accrued at year end.

Business-type Activities:

Charges for services for all business-type activities decreased by \$.3 million after increasing by \$1.0 million in 2005. The two major funds, Solid Waste Management increased \$.1 million while Chris Jensen Health and Rehabilitation Center decrease \$.3 million. The three nonmajor enterprise funds had charges for services decrease by \$.1 million.

Property taxes that were levied for the first time in 2003 are for repayment of General Obligation Nursing Home Revenue Bonds, Series 2002A that were used to remodel a wing at Chris Jensen Health and Rehabilitation Center. The debt on these bonds will be fully paid off in 2008.

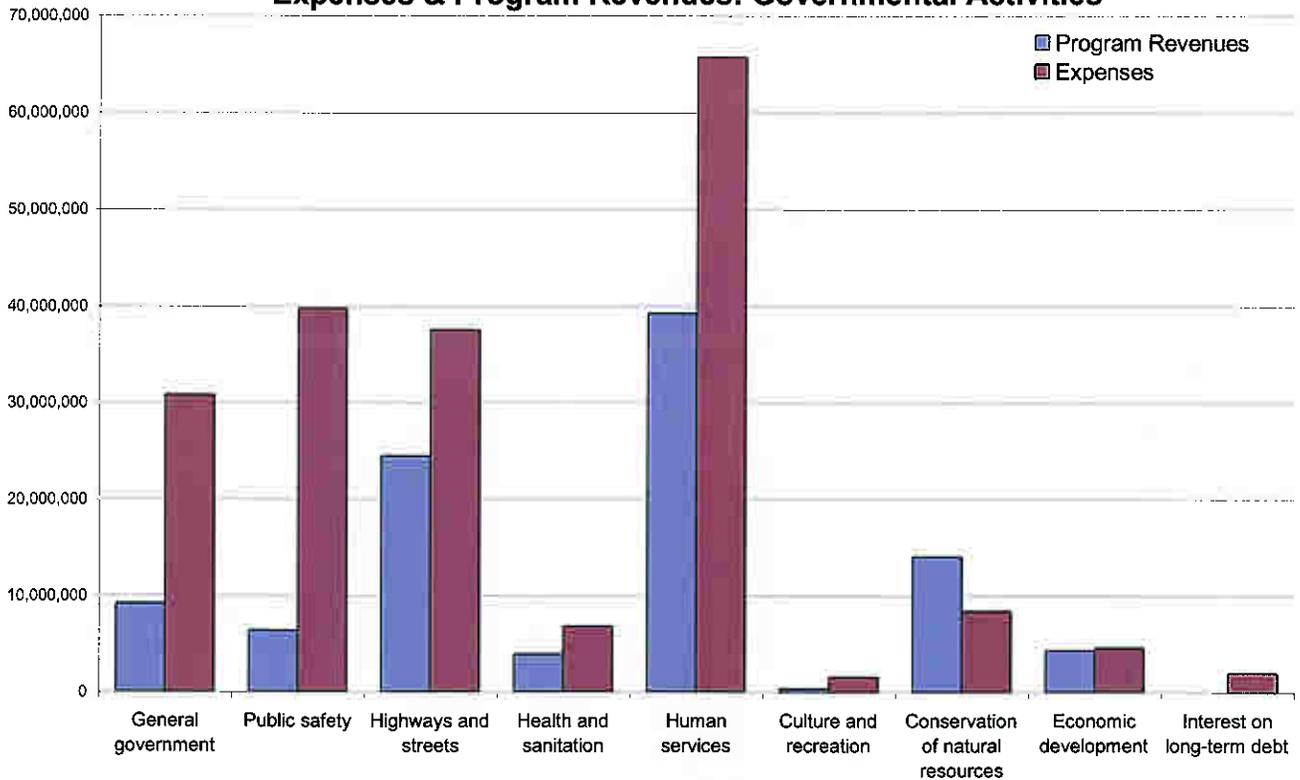
Investment income increased from \$.4 million in 2005 to \$.7 million in 2006. As mention previously for the governmental funds interest rates during 2006 increased considerably over 2005 and also the Solid Waste Management Fund had more monies to invest. Solid Waste Management is the only business-type activity that has investments.

The two business-type activities that are classified as major funds have had operating losses since 2003. Of the two major funds, the Solid Waste Management Fund had an operating loss of \$.6 million and the Chris Jensen Health and Rehabilitation Center Fund had an operating loss of \$1.2 million in 2006. The Solid Waste Management Fund does have nonoperating revenues of \$1.2 million that help offset the operating loss. All of the nonmajor enterprise funds also had operating losses in 2006.

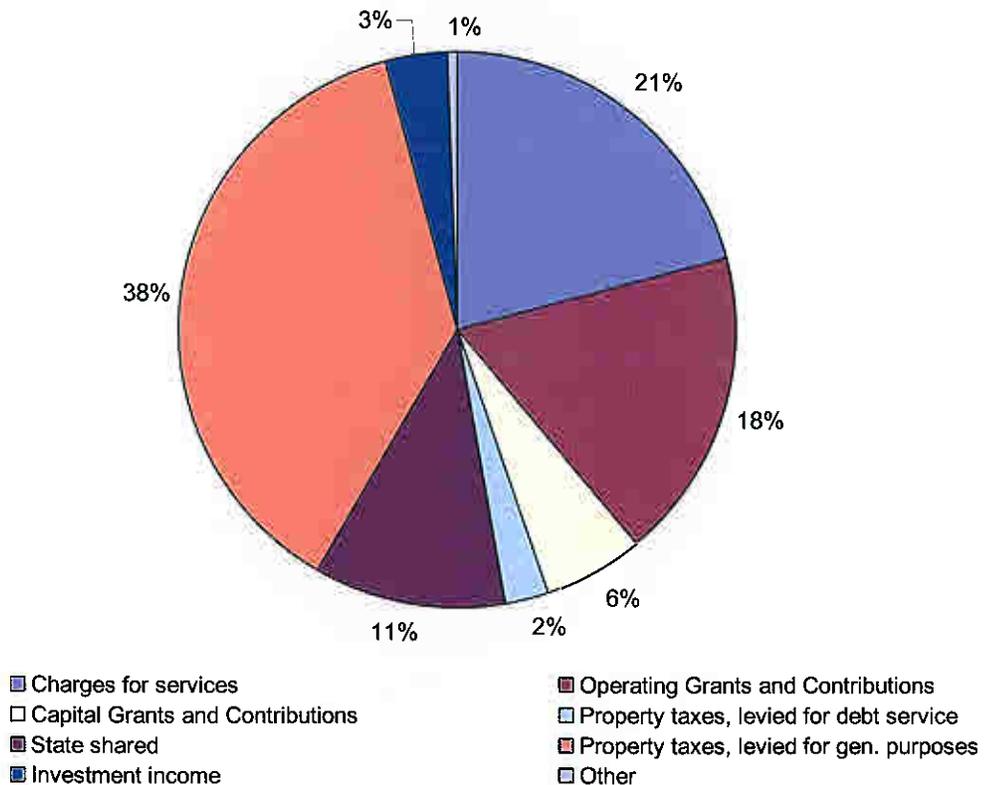
The Chris Jensen Health and Rehabilitation Center received a transfer from the general fund of \$4.2 million to cover their end of year cash deficit. They will start 2007 with zero cash.

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Expenses & Program Revenues: Governmental Activities

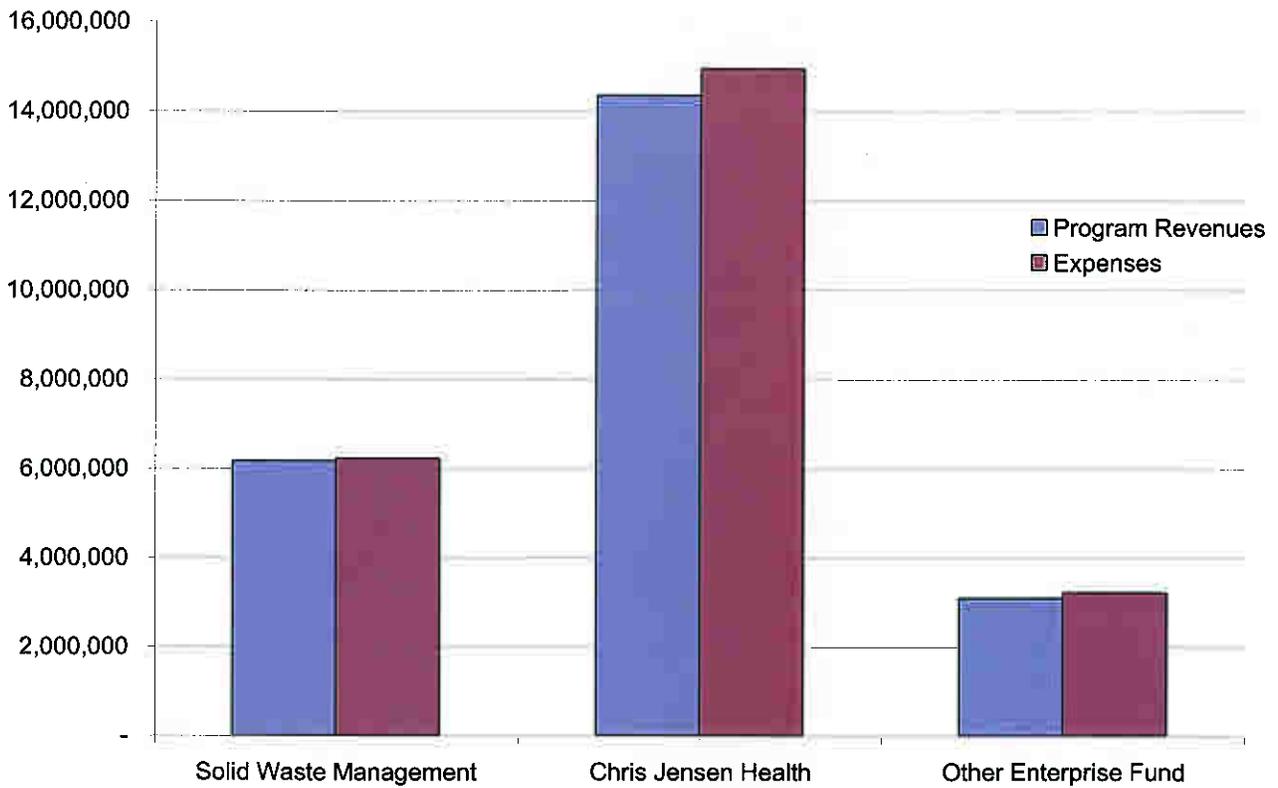


Revenues by Source: Governmental Activities

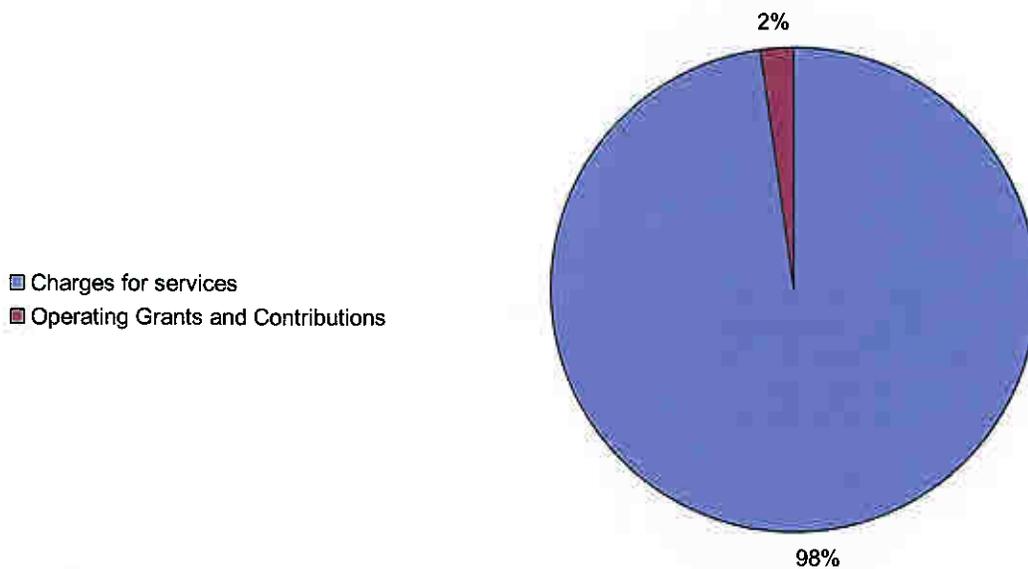


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Expenses and Program Revenues: Business-type Activities



Revenues by Source: Business-type Activities



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Financial Analysis of the Government's Funds

As noted earlier, St. Louis County uses fund accounting to insure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of St. Louis County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing St. Louis County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of December 31, 2006, St. Louis County's governmental funds reported combined fund balances of \$119.0 million, compared with \$117.7 million in 2005, and \$103.9 in 2004. The increase for 2006 was \$1.3 million. The General Fund accounted for \$1.0 million of the increase down from an increase of \$7.2 million in 2005. Unreserved fund balance of \$98.3 million or 82.6% accounted for most of the governmental funds fund balance, which is available for spending at the County's discretion. However, of the \$98.3 million, \$32.4 million is reported in funds established for specific purposes such as the Debt Service Fund and will be spent accordingly. The balance of the unreserved fund balance, \$65.9 million was designated. Designations reflect the County's self-imposed limitations on otherwise expendable financial resources. Cash flow designations of \$34.0 million are the largest designation by far. The remaining \$20.7 million of fund balance is reserved. Fund balance is reserved because it is either unavailable for spending or legally restricted. The largest reservations of fund balances at year-end are for environmental trust fund purposes, encumbrances and inventories.

The General Fund is the chief operating fund of the County. At the end of 2006, the unreserved fund balance of the General Fund was \$34.3 million compared to \$33.8 million in 2005. Unreserved fund balance represents 45.6% of total fund revenues, a 2.2% increase over 2005. Unreserved fund balance represents 47.6% of total fund expenditures, a .4% increase over 2005. The Office of the State Auditor recommends that counties maintain unreserved fund balance in their General Fund of approximately 35 to 50 percent of fund operating revenues, or no less than five months of operating expenditures (41.7%).

The fund balance of the County's General Fund increased \$1.0 million. Revenues exceeded expenditures by \$3.1 million. However, other financing uses were \$2.1 million. The other financing uses comprised transfers in of \$3.0 million mostly from the Forfeited Tax Sale Fund and transfers out of \$5.1 million. An irrevocable transfer from the General Fund to the Chris Jensen Health and Rehabilitation Fund of \$4.2 million eliminated the deficit cash balance at year end 2006.

The Road and Bridge Fund had a \$1.2 million excess of expenditures over revenues. The excess of expenditures over revenues was a planned use of 2005 designated fund balance that was approved by County Board Resolution. Road construction once again fell in 2006 to \$17.5 million. Road construction was \$19.4 million in 2005 and \$36.0 million in 2004.

The Public Health and Human Services Fund had expenditures in excess of revenues of \$.8 million in 2006.

During 2006 the Capital Projects Fund spent down over \$6.2 million of 2004 and 2005 bond proceeds.

Pursuant to Minnesota Statute, the Forfeited Tax Sale Fund distributed \$6.9 million in net proceeds to County Funds (General Fund and Forest Resources Fund) and to cities and towns in St. Louis County.

Proprietary Funds. St. Louis County proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

General Fund Budgetary Highlights

Budgets can be amended during the year by the County Board. Supplemental appropriations or budget reductions are reviewed by the County Administrator's office and submitted to the County Board for their review and approval.

During the year there was an \$8.0 million increase in appropriations between the original budget and final amended expenditure budget. The majority of the increases were amendments to the operating budget and the appropriation of additional grant monies.

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The difference between the final amended revenue budget of \$71.9 million and the original budget was an increase of \$6.5 million. The intergovernmental revenue final amended budget increased by \$5.4 million, mostly due to additional grant monies.

Actual expenditures were \$5.6 million under the final budget. This was due to various departments under spending their operating budgets and grant budgets. All of the general government departments were a combined \$3.5 million under their final budgets.

Due to rising interest rates, earnings on investments were \$5.6 million compared to \$3.1 million for 2005. Earnings on investments were \$3.5 million over budget while the total actual revenues were \$3.3 million over budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end, the County showed total capital assets to be \$350.2 million. Of that total, governmental activities accounted for \$336.7 million, and the balance of \$13.5 million belonged to the business-type activities. These amounts represent a broad range of capital assets, including land, buildings, machinery, roads, road maintenance equipment, and law enforcement equipment. Detail is presented immediately below in Table 4.

Table 4
Capital Assets at Year-end
(Net of Depreciation, in Millions)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2006	2005	2006	2005	2006	2005
Land	\$ 2.0	\$ 2.0	\$ 0.4	\$ 0.4	\$ 2.4	\$ 2.4
Buildings and structures	52.1	50.1	8.6	9.0	60.7	59.1
Improvements other than buildings	-	-	3.1	3.5	3.1	3.5
Machinery and equipment	4.9	1.8	0.9	0.8	5.8	2.6
Linens	-	-	0.2	0.2	0.2	0.2
Vehicles	15.1	14.3	0.3	0.3	15.4	14.6
Infrastructure	253.0	239.8	-	-	253.0	239.8
Construction in progress	9.6	6.6	-	-	9.6	6.6
Totals	\$ 336.7	\$ 314.6	\$ 13.5	\$ 14.2	\$ 350.2	\$ 328.8

Governmental capital assets show a net increase (including additions and deductions) of \$22.1 million, or 7.0% , over 2005. As shown in Table 4, all asset categories increased in 2006 over 2005 except land which did not change. Capital asset purchases totaled \$35.0 million while net disposals totaled \$3.8 million and depreciation expense was \$9.1 million. Business-type capital assets decreased \$.7 million to \$13.5 million as the result of \$1.0 million of depreciation expense and only \$.3 million of new capital assets being purchased.

Infrastructure, which is the County's road and bridge system, had construction projects totaling \$17.5 million for 2006 compared to \$19.4 million in 2005 and \$36.0 million in 2004. Depreciation expense for existing infrastructure dropped to \$4.3 million from \$14.8 million in 2005. The decrease was the result of a detailed analysis of road construction miles from 1980 through 2005. The analysis showed the useful life of roads to be 55 years rather than the 25 years useful life that had been used previously. A review of the estimated life of infrastructure will be done yearly with future depreciation being adjusted prospectively.

Buildings and structures increased by \$2.0 million in 2006. Additions of \$3.7 were the Luoma Clinic Building in Virginia, Duluth HVAC Phase 2 and GSC HVAC and roof repair. All but the Luoma Clinic Building were funded by 2004 bond proceeds. Depreciation expense was \$1.7 million.

Construction in progress consisted of five projects throughout the county that were funded by 2004 bond proceeds and were still not completed at the end of 2006. Three projects funded by bond proceeds from a 2005 issue were also still not completed by the end of the year.

Additional information on St. Louis County's capital assets can be found in the notes on page 72 and 73.

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Debt Administration

At year-end, the County had \$46.0 million of bonded debt outstanding that comprises the debt backed by the full faith and credit of the County. Some of the debt is also secured by specific revenue sources.

Table 5
Outstanding Debt, at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds	\$ 45.3	\$ 45.7	\$ 0.2	\$ 0.3	\$ 45.5	\$ 46.0
Revenue bonds	0.5	0.5	-	-	0.5	0.5
Total	\$ 45.8	\$ 46.2	\$ 0.2	\$ 0.3	\$ 46.0	\$ 46.5

As shown, the County's total debt decreased \$.5 million in 2006 compared to an increase of \$4.1 million during 2005. The decrease for 2006 was the result of the County issuing new debt of \$7.9 million while paying off \$8.4 million in debt service payments on other bonds. The debt issued in 2006 was for Capital Improvement Crossover Refunding Bonds Series 2006A. Proceeds will be used to crossover refund \$7.8 million of the \$10.5 outstanding of the \$14.3 million Capital Improvement Bonds Series 2001. Maturities 2010 through 2016, inclusive, will be called for redemption on December 1, 2009. This will result in a savings of \$.4 million.

Moody's Investors Service assigned an "Aa3" rating on the 2006 bonds. This rating is the same one given to the 2005 bonds.

Additional information on St. Louis County's long-term debt can be found in the notes on page 75.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The average unemployment rate in St. Louis County for 2006 was 5.0% an increase of .1% from 2005 and was a full percent higher than the state's average unemployment rate of 4.0%. The national average was in between at 4.6% for 2006.

Demand for taconite iron and steel continued relatively strong through 2006. Total production of taconite pellets and concentrates for 2006 was 38.9 million tons. That was a slight reduction from 2005. The reduction was mainly due to lost production at one mine because of an explosion late in the year.

The 2007 budget year is the second in the biennial budget planning process. The State of Minnesota legislature decreased the County Program Aid for 2006 by \$1.2 million to \$11.5 million. The County Program Aid for 2007 will be \$11.6 million, a modest increase. Program Aid which was as high as \$12.7 in 2005 is hopefully leveling out. Health insurance premiums for 2007 were increased by 8.5%. The Medical/Dental Insurance Fund experienced a surplus of revenues over expenses for 2006, the first time in four years. It will be a challenge in the future to cover rising health care costs. Most of the bargaining units for County employee's did not settle during 2006. However, the two largest units did settle in early 2007 with the contract covering both 2006 and 2007. Rising energy prices have required budget realignments as well as finding ways to reduce energy consumption.

All of these factors were considered in preparing the County's budget for the 2007 fiscal year.

The County's 2007 budget was passed on December 12, 2006, at a meeting of the St. Louis County Board of Commissioners. The 2007 property tax levy of \$97.4 million is \$7.6 million, or 8.4% more than the 2006 levy.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of St. Louis County's finances and to show the County's accountability for the money it receives. If you have a question about this report or need information, contact the County Auditor's Office, 100 N. 5th Avenue W., Duluth, Minnesota 55802-1293.

ST. LOUIS COUNTY, MINNESOTA

STATEMENT OF NET ASSETS

DECEMBER 31, 2006

	Primary Government		
	Governmental	Business-type	Total
	Activities	Activities	
ASSETS			
Cash and cash equivalents	\$ 105,523,483	\$ 1,861,800	\$ 107,385,283
Investments	35,501,978	14,076,999	49,578,977
Assets held by escrow agent	7,873,673	-	7,873,673
Receivables (net)	37,203,942	2,427,741	39,631,683
Internal balances	886,963	(886,963)	-
Inventories	4,528,889	122,976	4,651,865
Prepaid items	150,720	46,510	197,230
Restricted assets	-	2,876,581	2,876,581
Capital assets not being depreciated	11,620,839	363,922	11,984,761
Capital assets being depreciated, net	325,062,814	13,182,968	338,245,782
Total assets	<u>528,353,301</u>	<u>34,072,534</u>	<u>562,425,835</u>
LIABILITIES			
Accounts payable	20,506,310	1,002,656	21,508,966
Unearned revenue	2,013,729	106,941	2,120,670
Liabilities payable from restricted assets	-	4,452	4,452
Advance from other governments	6,371,386	-	6,371,386
Noncurrent liabilities:			
Due within one year	15,177,885	676,466	15,854,351
Due in more than one year	75,048,610	3,889,542	78,938,152
Total liabilities	<u>119,117,920</u>	<u>5,680,057</u>	<u>124,797,977</u>
NET ASSETS			
Invested in capital assets, net of related debt	304,712,967	13,331,890	318,044,857
Restricted			
Shoreline sales:			
Expendable	351,038	-	351,038
Nonexpendable	6,386,389	-	6,386,389
Special revenue	11,523,408	-	11,523,408
Debt service	9,742,098	38,011	9,780,109
Capital projects	3,735,320	-	3,735,320
Recorders equipment	997,732	-	997,732
Communications	836,587	-	836,587
Unorganized town roads	1,379,244	-	1,379,244
Financial assurance	-	1,394,439	1,394,439
Other purposes	1,500,731	-	1,500,731
Unrestricted	68,069,867	13,628,137	81,698,004
Total net assets	<u>\$ 409,235,381</u>	<u>\$ 28,392,477</u>	<u>\$ 437,627,858</u>

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental Activities:				
General government	\$ 30,763,681	\$ 7,841,220	\$ 24,375	\$ 1,298,929
Public safety	39,759,687	1,999,799	2,504,784	1,892,930
Highways and streets	37,556,032	2,226,187	12,373,909	9,915,178
Health and sanitation	6,824,984	1,679,313	2,249,443	-
Human services	65,667,980	21,066,096	18,158,573	-
Culture and recreation	1,601,310	-	355,086	-
Conservation of natural resources	8,374,838	13,052,500	1,014,517	-
Economic development	4,602,756	20,967	4,048,509	249,033
Interest on long-term debt	1,996,722	-	-	-
Total governmental activities	<u>197,147,990</u>	<u>47,886,082</u>	<u>40,729,196</u>	<u>13,356,070</u>
Business-type activities:				
Solid Waste Management	6,226,992	5,712,990	461,436	-
Chris Jensen Health and Rehabilitation Center	14,946,088	14,347,019	-	-
Community Food	1,231,841	1,188,369		
Laundry	909,664	939,702		
Supervised Living Facility	1,081,294	963,348		
Total business-type activities	<u>24,395,879</u>	<u>23,151,428</u>	<u>461,436</u>	
Total primary government	<u>\$ 221,543,869</u>	<u>\$ 71,037,510</u>	<u>\$ 41,190,632</u>	<u>\$ 13,356,070</u>

The notes to the financial statement are an integral part of this statement

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED DECEMBER 31, 2006

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government			
Governmental Activities:			
General government	\$ (21,599,157)	\$ -	\$ (21,599,157)
Public safety	(33,362,174)	-	(33,362,174)
Highways and streets	(13,040,758)	-	(13,040,758)
Health and sanitation	(2,896,228)	-	(2,896,228)
Human services	(26,443,311)	-	(26,443,311)
Culture and recreation	(1,246,224)	-	(1,246,224)
Conservation of natural resources	5,692,179	-	5,692,179
Economic development	(284,247)	-	(284,247)
Interest on long-term debt	(1,996,722)	-	(1,996,722)
Total governmental activities	(95,176,642)	-	(95,176,642)
Business-type activities:			
Solid Waste Management	-	(52,566)	(52,566)
Chris Jensen Health and Rehabilitation Center	-	(599,069)	(599,069)
Community Food	-	(43,472)	(43,472)
Laundry	-	30,038	30,038
Supervised Living Facility	-	(117,946)	(117,946)
Total business-type activities	-	(783,015)	(783,015)
Total primary government	\$ (95,176,642)	\$ (783,015)	\$ (95,959,657)
General revenues:			
Taxes:			
Property taxes , levied for general purposes	85,847,071	-	85,847,071
Property taxes, levied for debt service	5,605,148	169,525	5,774,673
State shared not restricted to specific programs	25,698,357	-	25,698,357
Federal shared not restricted to specific programs	1,195,773	-	1,195,773
Investment earnings	7,939,433	732,815	8,672,248
Miscellaneous	169,017	-	169,017
Transfers	(3,871,044)	3,871,044	-
Total general revenues, contributions, and special item	122,583,755	4,773,384	127,357,139
Changes in net assets	27,407,113	3,990,369	31,397,482
Net assets - January 1 - Restated	381,828,268	24,402,108	406,230,376
Net assets - December 31	\$ 409,235,381	\$ 28,392,477	\$ 437,627,858

GOVERNMENTAL FUNDS

General Fund

General Fund - This fund has been classified as a major fund and is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures. The following funds have been classified as major funds:

Road and Bridge - This fund is used to account for public works activity.

Public Health and Human Services - This fund is used to account for the operations and financial activities of the Social Services Department.

Forfeited Tax Sale - This fund is used to account for the proceeds from the sale or rental lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax forfeited lands is governed by Minn. Stat. 282.08. Title to the tax forfeited lands remains with the State until sold by the county.

Capital Projects Fund

Capital Projects Fund - This fund has been classified as a major fund and is used to account for financial resources to be used for acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

ST. LOUIS COUNTY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
 DECEMBER 31, 2006

	General	Road and Bridge	Public Health and Human Services	Forfeited Tax Sale	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 40,472,737	\$ 23,527,992	\$ 14,407,004	\$ -	\$ 5,216,664	\$ 14,536,855	\$ 98,161,252
Investments	-	-	-	-	8,979,051	6,200,056	15,179,107
Assets held by escrow agent	-	-	-	-	-	7,873,673	7,873,673
Delinquent taxes receivable	1,703,876	819,528	1,172,709	-	46,902	289,342	4,032,357
Accounts receivable (net)	281,497	9,397	20,337	19,580,043	-	4,564	19,895,838
Accrued interest receivable	851,717	-	-	-	-	-	851,717
Loans receivable	241,631	-	-	-	-	622,003	863,634
Leases receivable	81,500	-	-	-	-	-	81,500
Interfund receivable	866,368	-	-	-	-	-	866,368
Due from other governments	1,466,221	2,873,516	5,677,922	-	4	447,526	10,465,189
Inventories	-	4,334,029	-	-	-	-	4,334,029
Prepaid items	97,813	-	5,907	3,000	-	-	106,720
Total Assets	46,063,360	31,564,462	21,283,879	19,583,043	14,242,621	29,974,019	162,711,384
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	1,889,910	1,394,645	2,263,600	55,773	1,278,331	362,393	7,244,652
Contracts payable	-	464,927	-	-	271,711	-	736,638
Salaries payable	1,669,210	682,471	1,169,276	126,833	-	5,395	3,653,185
Interfund payable	-	-	-	738,074	-	128,294	866,368
Due to other governments	18,569	-	799,397	-	-	-	817,966
Unearned revenue	225,289	1,095,162	6,422	-	-	-	1,326,873
Deferred revenue	2,176,356	683,598	1,910,934	17,657,578	38,377	239,522	22,706,365
Advance from other governments	-	6,371,386	-	-	-	-	6,371,386
Total Liabilities	5,979,334	10,692,189	6,149,629	18,578,258	1,588,419	735,604	43,723,433
Fund Balances:							
Reserved for:							
Noncurrent loans	-	-	-	-	-	622,003	622,003
Economic development	1,403,700	-	-	-	-	-	1,403,700
Future loans	-	-	-	-	-	150,027	150,027
Inventories	-	4,334,029	-	-	-	-	4,334,029
Encumbrances	522,193	1,192,694	16,793	61,257	-	317,633	2,110,570
Law library	389,360	-	-	-	-	-	389,360
Recorder's equipment	997,732	-	-	-	-	-	997,732
Election equipment	270,923	-	-	-	-	-	270,923
Communications	836,587	-	-	-	-	-	836,587
Extension service	313,511	-	-	-	-	-	313,511
Missing heirs	116,724	-	-	-	-	-	116,724
Private redemption	414	-	-	-	-	-	414
Motorplex	221,944	-	-	-	-	-	221,944
Ditching	225,000	-	-	-	-	-	225,000
Foster care insurance	-	-	6,000	-	-	-	6,000
Veterans' credit	-	-	-	15,000	-	-	15,000
Unorganized town roads	-	1,379,244	-	-	-	-	1,379,244
Environmental trust funds	-	-	-	-	-	6,386,389	6,386,389
Improvement of natural resources	-	-	-	-	-	351,038	351,038
Exchange of land	22,798	-	-	-	-	-	22,798
Tax certificate assurance	194,657	-	-	-	-	-	194,657
Attorney forfeitures	103,888	-	-	-	-	-	103,888
Sheriff forfeitures	86,666	-	-	-	-	-	86,666
Sheriff fines	10,002	-	-	-	-	-	10,002
Prepaid expenses	97,813	-	-	-	-	-	97,813

The notes to the financial statement are an integral part of the statement.

ST. LOUIS COUNTY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	<u>General</u>	<u>Road and Bridge</u>	<u>Public Health and Human Services</u>	<u>Forfeited Tax Sale</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Unreserved:							
Designated for:							
Retiree obligations	6,693,722	3,697,110	7,404,023	433,410	-	-	18,228,265
Parking	1,058,897	-	-	-	-	-	1,058,897
Hibbing Raceway	60,623	-	-	-	-	-	60,623
Cash flow	22,857,499	6,722,347	4,371,708	-	-	-	33,951,554
Emergency contingency	5,942	550,616	-	23,969	-	-	580,527
Future appropriation	-	-	-	-	838,565	-	838,565
Northland office building	-	-	-	-	831,611	-	831,611
Planning and zoning GIS	327,433	-	-	-	-	-	327,433
Vesting sick leave	3,265,998	1,866,233	3,335,726	471,149	-	-	8,939,106
Ely Joint Maintenance Facility	-	765,000	-	-	-	-	765,000
Hoyt Lakes-Ely Economic Development Corridor	-	365,000	-	-	-	-	365,000
Undesignated, reported in:							
Special revenue funds	-	-	-	-	-	11,523,408	11,523,408
Debt service fund	-	-	-	-	-	9,887,917	9,887,917
Capital projects fund	-	-	-	-	10,984,026	-	10,984,026
Total Fund Balance	<u>40,084,026</u>	<u>20,872,273</u>	<u>15,134,250</u>	<u>1,004,785</u>	<u>12,654,202</u>	<u>29,238,415</u>	<u>118,987,951</u>
Total Liabilities and Fund Balances	<u>\$ 46,063,360</u>	<u>\$ 31,564,462</u>	<u>\$ 21,283,879</u>	<u>\$ 19,583,043</u>	<u>\$ 14,242,621</u>	<u>\$ 29,974,019</u>	<u>\$ 162,711,384</u>

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund balance - governmental funds (from above)	\$ 118,987,951
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	334,918,644
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.	22,706,365
Certain liabilities payable from other long term assets listed above are also deferred in the funds.	(7,063,031)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(82,055,263)
Internal Service Funds are used by management to charge the costs of certain activities such as insurances to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the Statement of Net Assets.	<u>21,740,715</u>
Net assets of governmental activities	<u>\$ 409,235,381</u>

The notes to the financial statement are an integral part of the statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	General	Road and Bridge	Public Health and Human Services	Forfeited Tax Sale	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 37,307,851	\$ 22,751,543	\$ 23,633,594	\$ -	\$ 986,927	\$ 6,249,148	\$ 90,929,063
Licenses and permits	123,361	33,245	-	-	-	-	156,606
Intergovernmental	22,880,137	26,160,240	43,057,230	16,141	890,965	5,878,179	98,882,892
Charges for services	7,423,643	578,499	4,027,637	-	-	-	12,029,779
Fines and forfeits	201,088	-	-	-	-	-	201,088
Earnings on investments	5,569,072	-	-	-	600,309	842,559	7,011,940
Gifts and contributions	10,544	-	1,913	-	-	-	12,457
Land and timber sales	-	-	-	11,753,426	-	-	11,753,426
Miscellaneous	1,660,320	1,614,443	411,493	380,342	75,972	169,473	4,312,043
Total Revenues	<u>75,176,016</u>	<u>51,137,970</u>	<u>71,131,867</u>	<u>12,149,909</u>	<u>2,554,173</u>	<u>13,139,359</u>	<u>225,289,294</u>
EXPENDITURES							
Current:							
General government	26,790,803	-	-	2,782,500	-	-	29,573,303
Public safety	40,881,994	-	-	-	-	-	40,881,994
Highways and streets	-	32,083,124	-	-	-	-	32,083,124
Health and sanitation	519,994	-	6,027,389	-	-	-	6,547,383
Human services	388,674	-	65,865,399	-	-	-	66,254,073
Culture and recreation	1,539,447	-	-	-	-	-	1,539,447
Conservation of natural resources	898,890	-	-	4,821,138	-	1,597,567	7,317,595
Economic development	286,850	-	-	-	-	4,354,941	4,641,791
Debt service:							
Principal	-	-	-	-	-	5,428,091	5,428,091
Interest and other charges	-	-	-	-	-	1,987,288	1,987,288
Capital outlay:							
General government	86,745	-	-	-	2,652,564	-	2,739,309
Public safety	653,188	-	-	-	1,569,736	-	2,222,924
Highways and streets	-	20,267,743	-	-	3,816,631	-	24,084,374
Conservation of natural resources	-	-	-	379,894	-	-	379,894
Total Expenditures	<u>72,046,585</u>	<u>52,350,867</u>	<u>71,892,788</u>	<u>7,983,532</u>	<u>8,038,931</u>	<u>13,367,887</u>	<u>225,680,590</u>
Excess (deficiency) of revenues over expenditures	<u>3,129,431</u>	<u>(1,212,897)</u>	<u>(760,921)</u>	<u>4,166,377</u>	<u>(5,484,758)</u>	<u>(228,528)</u>	<u>(391,296)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	2,980,130	365,000	341,581	-	538,078	2,450,424	6,675,213
Transfers (out)	(5,095,703)	(461,700)	-	(4,143,724)	(49,644)	(795,486)	(10,546,257)
Refunding bonds issued	-	-	-	-	-	7,845,000	7,845,000
Refunding bonds redeemed	-	-	-	-	-	(2,940,000)	(2,940,000)
Premium proceeds	-	-	-	-	-	87,863	87,863
Total other financing sources and uses	<u>(2,115,573)</u>	<u>(96,700)</u>	<u>341,581</u>	<u>(4,143,724)</u>	<u>488,434</u>	<u>6,647,801</u>	<u>1,121,819</u>
Net change in fund balances	1,013,858	(1,309,597)	(419,340)	22,653	(4,996,324)	6,419,273	730,523
Fund balances - January 1 - Restated	39,070,168	21,673,797	15,553,590	982,132	17,650,526	22,819,142	117,749,355
Increase in reserved for inventories	-	508,073	-	-	-	-	508,073
Fund balances - December 31	<u>\$ 40,084,026</u>	<u>\$ 20,872,273</u>	<u>\$ 15,134,250</u>	<u>\$ 1,004,785</u>	<u>\$ 12,654,202</u>	<u>\$ 29,238,415</u>	<u>\$ 118,987,951</u>

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

Net change in fund balances--total governmental funds (from previous page)	\$ 730,523
Increase in reserved for inventories--total governmental funds (from previous page)	508,073
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues reported in the governmental funds are not considered revenues in the statement of activities.	1,960,327
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	
Due to other governments	(865,536)
Bond interest payable	(9,434)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	20,725,958
Changes in capital asset not resulting from capital outlay, such as contributions and other expense are not reflected in the funds.	1,235,998
Internal service funds are used by management to charge the costs of certain activities, such as insurance and printing to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	3,091,860
Repayment of bond principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Assets.	29,344
	29,344
Change in net assets of governmental activities	<u>\$ 27,407,113</u>

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u> <u>Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 36,646,785	\$ 36,646,785	\$ 37,307,851	\$ 661,066
Licenses and permits	119,400	119,400	123,361	3,961
Intergovernmental	17,735,782	23,143,019	22,880,137	(262,882)
Charges for services	6,877,327	7,418,973	7,423,643	4,670
Fines and forfeitures	3,500	156,335	201,088	44,753
Earnings on investments	2,063,364	2,070,411	5,569,072	3,498,661
Gifts and contributions	15,000	20,000	10,544	(9,456)
Miscellaneous	1,911,057	2,299,597	1,660,320	(639,277)
Total revenues	<u>65,372,215</u>	<u>71,874,520</u>	<u>75,176,016</u>	<u>3,301,496</u>
EXPENDITURES				
General government				
Commissioners				
Personnel services	795,962	795,962	776,800	(19,162)
Other operating	124,786	124,786	120,725	(4,061)
Total commissioners	<u>920,748</u>	<u>920,748</u>	<u>897,525</u>	<u>(23,223)</u>
County administrator				
Personnel services	2,879,126	263,286	263,286	-
Other operating	315,863	635,082	486,629	(148,453)
Total county administrator	<u>3,194,989</u>	<u>898,368</u>	<u>749,915</u>	<u>(148,453)</u>
Intergovernmental affairs				
Personnel services	110,997	110,997	110,372	(625)
Other operating	172,393	172,393	166,506	(5,887)
Total intergovernmental affairs	<u>283,390</u>	<u>283,390</u>	<u>276,878</u>	<u>(6,512)</u>
Administration support division				
Personnel services	394,503	394,503	392,942	(1,561)
Other operating	58,550	58,550	32,092	(26,458)
Total administrative support division	<u>453,053</u>	<u>453,053</u>	<u>425,034</u>	<u>(28,019)</u>
Labor relations				
Other operating	50,247	50,247	50,175	(72)
Planning and zoning				
Personnel services	364,609	961,761	961,761	-
Other operating	1,113,187	884,759	681,661	(203,098)
Total planning and zoning	<u>1,477,796</u>	<u>1,846,520</u>	<u>1,643,422</u>	<u>(203,098)</u>
Commitment representation				
Other operating	62,541	62,541	61,583	(958)
Examiner of titles				
Personnel services	-	105,068	105,068	-
Other operating	-	8,675	6,967	(1,708)
Total examiner of titles	<u>-</u>	<u>113,743</u>	<u>112,035</u>	<u>(1,708)</u>
County attorney				
Personnel services	3,738,309	3,602,778	3,216,905	(385,873)
Other operating	618,662	603,176	313,642	(289,534)
Capital outlay	57,857	57,857	-	(57,857)
Total county attorney	<u>4,414,828</u>	<u>4,263,811</u>	<u>3,530,547</u>	<u>(733,264)</u>
Subtotal	<u>10,857,592</u>	<u>8,892,421</u>	<u>7,747,114</u>	<u>(1,145,307)</u>

continued

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

EXPENDITURES (CONTINUED)	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Law library				
Other operating	543	225,000	131,821	(93,179)
County auditor				
Personnel services	3,267,510	3,387,705	3,228,971	(158,734)
Other operating	899,359	832,326	766,565	(65,761)
Total county auditor	4,166,869	4,220,031	3,995,536	(224,495)
Data processing				
Other operating	1,540,855	1,548,598	1,548,598	-
County assessor				
Personnel services	1,667,836	1,667,836	1,601,392	(66,444)
Other operating	287,149	290,125	247,153	(42,972)
Total county assessor	1,954,985	1,957,961	1,848,545	(109,416)
Purchasing				
Personnel services	364,518	364,518	326,525	(37,993)
Other operating	129,605	110,835	87,688	(23,147)
Total purchasing	494,123	475,353	414,213	(61,140)
Microfilming				
Personnel services	191,562	191,562	154,804	(36,758)
Other operating	27,551	27,551	27,219	(332)
Total microfilming	219,113	219,113	182,023	(37,090)
Recorder				
Personnel services	1,490,808	1,650,381	1,650,381	-
Other operating	1,519,845	1,421,205	576,401	(844,804)
Capital outlay	50,000	56,555	26,540	(30,015)
Total recorder	3,060,653	3,128,141	2,253,322	(874,819)
Surveyor				
Personnel services	849,825	907,203	848,568	(58,635)
Other operating	87,590	83,283	54,257	(29,026)
Capital outlay	20,000	60,300	60,205	(95)
Total surveyor	957,415	1,050,786	963,030	(87,756)
Civil service				
Personnel services	1,007,706	1,007,706	981,752	(25,954)
Other operating	305,354	333,578	274,618	(58,960)
Capital outlay	6,000	6,000	-	(6,000)
Total civil service	1,319,060	1,347,284	1,256,370	(90,914)
Veteran's service				
Personnel services	533,462	549,485	549,485	-
Other operating	69,400	56,679	56,679	-
Total veteran's service	602,862	606,164	606,164	-
Port authority				
Other operating	36,125	35,944	35,944	-
Elections				
Personnel services	18,601	18,601	-	(18,601)
Other operating	259,800	1,558,729	1,196,478	(362,251)
Total elections	278,401	1,577,330	1,196,478	(380,852)
Subtotal	14,631,004	16,391,705	14,432,044	(1,959,661)

continued

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

EXPENDITURES (CONTINUED)	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
General government				
Courthouses				
Personnel services	2,804,722	2,831,508	2,791,250	(40,258)
Other operating	1,549,901	1,909,315	1,662,394	(246,921)
Capital outlay	-	40,300	-	(40,300)
Total courthouses	4,354,623	4,781,123	4,453,644	(327,479)
Employee training				
Personnel services	66,240	102,829	102,829	-
Other operating	123,672	87,517	61,480	(26,037)
Total employee training	189,912	190,346	164,309	(26,037)
Missing heirs				
Other operating	-	160,927	80,437	(80,490)
Total General Government	30,033,131	30,416,522	26,877,548	(3,538,974)
Public safety				
Jail building				
Personnel services	425,428	405,299	405,299	-
Other operating	352,950	375,946	375,946	-
Total jail building	778,378	781,245	781,245	-
Sheriff				
Personnel services	8,286,595	9,440,161	9,440,161	-
Other operating	1,819,628	4,943,852	4,940,686	(3,166)
Capital outlay	605,300	529,908	525,411	(4,497)
Total sheriff	10,711,523	14,913,921	14,906,258	(7,663)
Boat and water safety				
Other operating	121,833	124,471	100,345	(24,126)
Capital outlay	15,000	68,052	62,106	(5,946)
Total boat and water safety	136,833	192,523	162,451	(30,072)
Medical examiner				
Other operating	369,792	432,439	432,439	-
Rescue squad				
Other operating	124,897	160,606	159,967	(639)
Capital outlay	69,500	61,722	28,343	(33,379)
Total rescue squad	194,397	222,328	188,310	(34,018)
Emergency management				
Personnel services	176,678	248,460	204,828	(43,632)
Other operating	25,762	27,322	27,322	-
Total emergency management	202,440	275,782	232,150	(43,632)
Radio maintenance				
Personnel services	346,239	333,376	322,860	(10,516)
Other operating	192,259	306,322	291,991	(14,331)
Total radio maintenance	538,498	639,698	614,851	(24,847)
Emergency communication				
Personnel services	2,827,792	2,871,131	2,871,131	-
Other operating	227,687	273,346	273,346	-
Total emergency communication	3,055,479	3,144,477	3,144,477	-
Subtotal	15,987,340	20,602,413	20,462,181	(140,232)

continued

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

EXPENDITURES (CONTINUED)	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Public safety				
Jail prisoners				
Personnel services	5,275,975	5,332,875	5,332,874	(1)
Other operating	2,525,757	3,489,166	3,474,734	(14,432)
Capital outlay	43,109	37,328	37,328	-
Total jail prisoners	7,844,841	8,859,369	8,844,936	(14,433)
Mine inspector				
Personnel services	248,898	259,268	259,268	-
Other operating	24,710	21,993	21,993	-
Total mine inspector	273,608	281,261	281,261	-
Sheriff's NEMESIS system				
Other operating	-	270,133	237,271	(32,862)
Ambulance service				
Other operating	65,000	62,232	62,232	-
Law enforcement service				
Personnel services	726,731	726,731	654,765	(71,966)
Other operating	111,915	111,915	76,666	(35,249)
Total law enforcement service	838,646	838,646	731,431	(107,215)
Enhanced 9-1-1				
Other operating	-	140,000	94,415	(45,585)
Capital outlay	-	360,000	-	(360,000)
Total enhanced 9-1-1	-	500,000	94,415	(405,585)
City/County antenna site				
Other operating	-	53,400	4,624	(48,776)
Volunteer fire department				
Other operating	-	350,511	350,511	-
Attorneys forfeitures				
Other operating	-	242,747	231,732	(11,015)
Sheriffs forfeitures				
Other operating	3,736	69,056	32,853	(36,203)
Sheriff fines				
Other operating	32,994	61,121	61,121	-
Arrowhead Regional Corrections				
Other operating	10,140,614	10,140,614	10,140,614	-
Total Public Safety	35,186,779	42,331,503	41,535,182	(796,321)

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

EXPENDITURES (CONTINUED)	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
Health				
Occupational safety				
Personnel services	346,658	403,021	363,848	(39,173)
Other operating	173,493	175,134	156,146	(18,988)
Total occupational safety	520,151	578,155	519,994	(58,161)
Total Health	520,151	578,155	519,994	(58,161)
Human services				
Emergency shelter program				
Other operating	144,472	144,472	85,860	(58,612)
Family homelessness prevention and assistance program				
Personnel services	-	-	17,822	17,822
Other operating	354,899	307,649	284,992	(22,657)
Total family homelessness prevention and assistance program	354,899	307,649	302,814	(4,835)
Total Welfare	499,371	452,121	388,674	(63,447)
Culture and recreation				
Memorial Day observance				
Other operating	900	850	850	-
Historical Society				
Other operating	258,300	256,985	256,985	-
Arrowhead Library System				
Other operating	614,124	614,124	614,124	-
Community fairs				
Other operating	500	300	300	-
Depot				
Other operating	188,000	218,578	218,578	-
Tourism promotion				
Other operating	55,000	54,725	54,725	-
Trail assistance				
Other operating	-	445,377	354,085	(91,292)
Veteran's Memorial Hall				
Other operating	40,000	39,800	39,800	-
Hibbing Raceway				
Other operating	12,000	12,000	-	(12,000)
Total Culture and Recreation	1,168,824	1,642,739	1,539,447	(103,292)

continued

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (CONTINUED)				
Conservation of natural resources				
County agent				
Personnel services	211,533	227,053	227,053	-
Other operating	359,445	353,041	353,041	-
Total county agent	<u>570,978</u>	<u>580,094</u>	<u>580,094</u>	<u>-</u>
Youth task force				
Other operating	172,072	188,266	172,926	(15,340)
Capital outlay	3,000	-	-	-
Total youth task force	<u>175,072</u>	<u>188,266</u>	<u>172,926</u>	<u>(15,340)</u>
County fair - north				
Other operating	13,000	12,935	12,935	-
County fair - south				
Other operating	13,000	12,935	12,935	-
Soil conservation - north				
Other operating	60,000	60,000	60,000	-
Soil conservation - south				
Other operating	60,000	60,000	60,000	-
Total Conservation of Natural Resources	<u>892,050</u>	<u>914,230</u>	<u>898,890</u>	<u>(15,340)</u>
Economic development				
Revolving Loans				
Other operating	1,312,000	1,312,000	286,850	(1,025,150)
Total Economic Development	<u>1,312,000</u>	<u>1,312,000</u>	<u>286,850</u>	<u>(1,025,150)</u>
Total Expenditures	<u>69,612,306</u>	<u>77,647,270</u>	<u>72,046,585</u>	<u>(5,600,685)</u>
Excess of revenues over (under) expenditures	<u>(4,240,091)</u>	<u>(5,772,750)</u>	<u>3,129,431</u>	<u>8,902,181</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,930,486	2,980,130	2,980,130	-
Transfers (out)	(93,000)	(5,095,936)	(5,095,703)	233
Total other financing sources (uses)	<u>2,837,486</u>	<u>(2,115,806)</u>	<u>(2,115,573)</u>	<u>233</u>
Net change in fund balances	(1,402,605)	(7,888,556)	1,013,858	8,902,414
Fund Balance - January 1	39,070,168	39,070,168	39,070,168	-
Fund Balance - December 31	<u>\$ 37,667,563</u>	<u>\$ 31,181,612</u>	<u>\$ 40,084,026</u>	<u>\$ 8,902,414</u>

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 22,663,820	\$ 22,663,820	\$ 22,751,543	\$ 87,723
Licenses and permits	21,000	21,000	33,245	12,245
Intergovernmental	34,772,633	38,444,177	26,160,240	(12,283,937)
Charges for services	240,000	736,933	578,499	(158,434)
Miscellaneous	1,429,225	1,356,919	1,614,443	257,524
Total Revenues	<u>59,126,678</u>	<u>63,222,849</u>	<u>51,137,970</u>	<u>(12,084,879)</u>
EXPENDITURES				
Current				
Administration				
Personnel services	4,624,476	5,082,398	5,082,398	-
Other operating	1,540,646	1,544,725	1,466,533	(78,192)
Capital outlay	95,000	123,744	101,964	(21,780)
Total administration	<u>6,260,122</u>	<u>6,750,867</u>	<u>6,650,895</u>	<u>(99,972)</u>
Road maintenance				
Personnel services	12,291,719	12,218,918	12,163,425	(55,493)
Other operating	3,985,307	3,774,559	3,495,451	(279,108)
Total road maintenance	<u>16,277,026</u>	<u>15,993,477</u>	<u>15,658,876</u>	<u>(334,601)</u>
Road construction				
Other operating	<u>27,851,398</u>	<u>32,165,499</u>	<u>18,395,749</u>	<u>(13,769,750)</u>
Equipment maintenance and shops				
Personnel services	3,299,680	3,372,481	3,372,481	-
Other operating	5,475,768	5,856,864	5,711,023	(145,841)
Capital outlay	3,096,368	2,657,137	2,561,843	(95,294)
Total equipment maintenance and shops	<u>11,871,816</u>	<u>11,886,482</u>	<u>11,645,347</u>	<u>(241,135)</u>
Total Expenditures	<u>62,260,362</u>	<u>66,796,325</u>	<u>52,350,867</u>	<u>(14,445,458)</u>
Excess of Revenues Over (Under) Expenditures	<u>(3,133,684)</u>	<u>(3,573,476)</u>	<u>(1,212,897)</u>	<u>2,360,579</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	365,000	365,000	-
Transfers (out)	(461,700)	(461,700)	(461,700)	-
Total other financing sources (uses)	<u>(461,700)</u>	<u>(96,700)</u>	<u>(96,700)</u>	<u>-</u>
Net change in fund balances	(3,595,384)	(3,670,176)	(1,309,597)	2,360,579
Fund Balance - January 1	21,673,797	21,673,797	21,673,797	-
Increase in reserved for inventories	-	-	508,073	508,073
Fund Balance - December 31	<u>\$ 18,078,413</u>	<u>\$ 18,003,621</u>	<u>\$ 20,872,273</u>	<u>\$ 2,868,652</u>

The notes to the financial statements are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PUBLIC HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 23,706,725	\$ 23,708,737	\$ 23,633,594	\$ (75,143)
Intergovernmental	44,704,396	44,082,311	43,057,230	(1,025,081)
Charges for services	3,276,625	3,265,175	4,027,637	762,462
Gifts and contributions	2,000	2,000	1,913	(87)
Miscellaneous	769,879	769,879	411,493	(358,386)
Total Revenues	<u>72,459,625</u>	<u>71,828,102</u>	<u>71,131,867</u>	<u>(696,235)</u>
EXPENDITURES				
Human services				
Administration				
Personnel services	5,105,668	5,583,127	5,583,127	-
Other operating	3,545,086	3,159,273	3,145,872	(13,401)
Total administration	<u>8,650,754</u>	<u>8,742,400</u>	<u>8,728,999</u>	<u>(13,401)</u>
Income maintenance				
Personnel services	9,172,499	8,929,231	8,929,231	-
Other operating	3,446,367	2,964,023	2,964,023	-
Total income maintenance	<u>12,618,866</u>	<u>11,893,254</u>	<u>11,893,254</u>	<u>-</u>
Social services				
Personnel services	16,120,437	16,482,115	16,482,115	-
Other operating	27,971,262	29,049,612	28,761,031	(288,581)
Total social services	<u>44,091,699</u>	<u>45,531,727</u>	<u>45,243,146</u>	<u>(288,581)</u>
Health				
Administration				
Personnel services	708,750	708,442	708,442	-
Other operating	1,178,494	744,459	744,459	-
Total administration	<u>1,887,244</u>	<u>1,452,901</u>	<u>1,452,901</u>	<u>-</u>
Nursing				
Personnel services	2,887,602	2,689,652	2,689,652	-
Other operating	855,200	407,325	420,831	13,506
Total nursing	<u>3,742,802</u>	<u>3,096,977</u>	<u>3,110,483</u>	<u>13,506</u>
Environmental Health				
Personnel services	1,349,492	1,295,893	1,295,893	-
Other operating	117,512	168,611	168,112	(499)
Capital outlay	16,000	-	-	-
Total environmental Health	<u>1,483,004</u>	<u>1,464,504</u>	<u>1,464,005</u>	<u>(499)</u>
Total Expenditures	<u>72,474,369</u>	<u>72,181,763</u>	<u>71,892,788</u>	<u>(288,975)</u>
Excess of Revenues Over (Under) Expenditures	(14,744)	(353,661)	(760,921)	(407,260)
OTHER FINANCING SOURCES (USES)				
Transfers in	341,581	341,581	341,581	-
Net change in fund balances	326,837	(12,080)	(419,340)	(407,260)
Fund Balance - January 1 (restated)	15,553,590	15,553,590	15,553,590	-
Fund Balance - December 31	<u>\$ 15,880,427</u>	<u>\$ 15,541,510</u>	<u>\$ 15,134,250</u>	<u>\$ (407,260)</u>

The notes to the financial statements are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FORFEITED TAX SALE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 16,141	\$ 16,141
Land and timber sales	9,335,000	9,335,000	11,753,426	2,418,426
Miscellaneous	225,000	225,000	380,342	155,342
Total Revenues	<u>9,560,000</u>	<u>9,560,000</u>	<u>12,149,909</u>	<u>2,589,909</u>
EXPENDITURES				
Current:				
General government				
Other operating	1,726,982	2,790,000	2,782,500	(7,500)
Conservation of natural resources				
Personnel services	3,847,518	3,847,518	3,679,562	(167,956)
Other operating	1,340,717	1,299,941	1,141,576	(158,365)
Capital outlay	543,406	543,406	379,894	(163,512)
Total conservation of natural resources	<u>5,731,641</u>	<u>5,690,865</u>	<u>5,201,032</u>	<u>(489,833)</u>
Total Expenditures	<u>7,458,623</u>	<u>8,480,865</u>	<u>7,983,532</u>	<u>(497,333)</u>
Excess of Revenues Over (Under) Expenditures	2,101,377	1,079,135	4,166,377	3,087,242
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,255,000)	(4,143,724)	(4,143,724)	-
Net change in fund balances	(153,623)	(3,064,589)	22,653	3,087,242
Fund Balance - January 1	982,132	982,132	982,132	-
Fund Balance - December 31	<u>\$ 828,509</u>	<u>\$ (2,082,457)</u>	<u>\$ 1,004,785</u>	<u>\$ 3,087,242</u>

The notes to the financial statements are an integral part of this statement.

PROPRIETARY FUNDS

Proprietary Funds are used to account for operations that are financed and operated in a manner similar to private business, with the intent that cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The following funds have been classified as major funds:

Solid Waste Management - This fund is used to account for the management and operations of solid waste activities in St. Louis County outside of the Western Lake Superior Sanitary District area.

Chris Jensen Health & Rehabilitation - This fund is used to account for providing nursing home, health, and rehabilitation facilities for the public.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

	Business-type Activities				Governmental Activities- Internal Service Funds
	Enterprise Funds				
	Solid Waste Management	Chris Jensen Health and Rehabilitation Center	Other Enterprise Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 981,331	\$ -	\$ 880,469	\$ 1,861,800	\$ 7,362,231
Investments	14,076,999	-	-	14,076,999	20,322,871
Delinquent taxes receivable	1,461	-	-	1,461	-
Accounts receivables (net)	52,022	1,856,715	131,373	2,040,110	704,776
Accrued interest receivable	207,823	-	-	207,823	291,041
Due from other governments	-	-	178,347	178,347	17,890
Inventories	-	64,250	58,726	122,976	194,860
Prepaid items	200	-	46,310	46,510	44,000
Restricted assets					
Debt service					
Cash and cash equivalents	-	33,178	-	33,178	-
Delinquent taxes receivable	-	4,779	-	4,779	-
Deferred charges - issuance costs	-	4,506	-	4,506	-
Capital acquisition					
Cash and cash equivalents	-	-	-	-	-
Total current assets	<u>15,319,836</u>	<u>1,963,428</u>	<u>1,295,225</u>	<u>18,578,489</u>	<u>28,937,669</u>
Noncurrent assets:					
Restricted assets					
Financial assurance					
Cash and cash equivalents	595,950	-	-	595,950	-
Investments	2,175,383	-	-	2,175,383	-
Accrued interest receivable	62,785	-	-	62,785	-
Capital assets					
Land	233,266	130,656	-	363,922	25,500
Buildings and structures	6,410,128	5,915,358	1,022,205	13,347,691	834,236
Improvements other than buildings	8,109,431	26,385	-	8,135,816	-
Machinery and equipment	1,019,303	1,240,712	359,458	2,619,473	5,918,547
Linens	-	37,912	198,290	236,202	-
Vehicles	871,412	34,705	45,709	951,826	1,816,585
Less accumulated depreciation	<u>(8,677,581)</u>	<u>(2,578,304)</u>	<u>(852,155)</u>	<u>(12,108,040)</u>	<u>(6,829,859)</u>
Total capital assets, net	<u>7,965,959</u>	<u>4,807,424</u>	<u>773,507</u>	<u>13,546,890</u>	<u>1,765,009</u>
Total noncurrent assets	<u>10,800,077</u>	<u>4,807,424</u>	<u>773,507</u>	<u>16,381,008</u>	<u>1,765,009</u>
Total assets	<u>26,119,913</u>	<u>6,770,852</u>	<u>2,068,732</u>	<u>34,959,497</u>	<u>30,702,678</u>

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2006

Business-type Activities

Enterprise Funds

	Enterprise Funds			Total	Governmental Activities - Internal Service Funds
	Solid Waste Management	Chris Jensen Health and Rehabilitation Center	Other Enterprise Funds		
LIABILITIES					
Current liabilities					
Accounts payable	288,795	206,450	67,932	563,177	614,490
Salaries payable	66,281	300,821	70,637	437,739	118,931
Due to other funds	-	808	-	808	-
Compensated absences payable	133,444	352,734	85,288	571,466	732,007
Interfund payable	-	-	-	-	-
Claims payable	-	-	-	-	2,837,070
Due to other governments	-	-	932	932	111,598
Unearned revenue	1,449	105,492	-	106,941	686,856
Accrued interest payable - restricted	-	560	-	560	-
Unearned revenue - restricted	-	3,892	-	3,892	-
Revenue bonds payable - restricted	-	105,000	-	105,000	-
Total current liabilities	<u>489,969</u>	<u>1,075,757</u>	<u>224,789</u>	<u>1,790,515</u>	<u>5,100,952</u>
Noncurrent liabilities:					
Compensated absences payable	421,881	1,412,204	505,678	2,339,763	1,619,369
Claims payable	-	-	-	-	3,128,605
Customer deposits	100	-	-	100	-
Closure and post-closure liabilities	1,439,679	-	-	1,439,679	-
Revenue bonds payable	-	110,000	-	110,000	-
Total noncurrent liabilities	<u>1,861,660</u>	<u>1,522,204</u>	<u>505,678</u>	<u>3,889,542</u>	<u>4,747,974</u>
Total Liabilities	<u>2,351,629</u>	<u>2,597,961</u>	<u>730,467</u>	<u>5,680,057</u>	<u>9,848,926</u>
NET ASSETS					
Invested in capital assets, net of related debt	7,965,959	4,592,424	773,507	13,331,890	1,765,009
Restricted for debt service	-	38,011	-	38,011	-
Restricted for financial assurance	1,394,439	-	-	1,394,439	-
Unrestricted	14,407,886	(457,544)	564,758	14,515,100	19,088,743
Total net assets	<u>\$ 23,768,284</u>	<u>\$ 4,172,891</u>	<u>\$ 1,338,265</u>	<u>\$ 29,279,440</u>	<u>\$ 20,853,752</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(886,963)</u>	
Net assets of business type activities				<u>\$ 28,392,477</u>	

The notes to the financial statement are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities Enterprise Funds			Total	Governmental Activities- Internal Service Funds
	Solid Waste Management	Chris Jensen Health and Rehabilitation Center	Other Enterprise Funds		
Operating Revenues					
Charges for services	\$ 5,272,382	\$ 14,211,275	\$ 3,080,396	\$ 22,564,053	\$ 37,691,624
Licenses and permits	5,050	-	-	5,050	-
Other	435,558	135,744	11,023	582,325	1,547,203
Total Operating Revenues	<u>5,712,990</u>	<u>14,347,019</u>	<u>3,091,419</u>	<u>23,151,428</u>	<u>39,238,827</u>
Operating Expenses					
Personal services	2,080,498	11,220,252	2,052,750	15,353,500	3,690,624
Contractual services	3,175,254	2,992,568	777,794	6,945,616	30,572,855
Materials	223,223	1,146,546	458,479	1,828,248	1,709,634
Depreciation	789,747	141,478	11,778	943,003	381,537
Total Operating Expenses	<u>6,268,722</u>	<u>15,500,844</u>	<u>3,300,801</u>	<u>25,070,367</u>	<u>36,354,650</u>
Operating Income (Loss)	<u>(555,732)</u>	<u>(1,153,825)</u>	<u>(209,382)</u>	<u>(1,918,939)</u>	<u>2,884,177</u>
Nonoperating Revenues (Expenses)					
Taxes	1,354	168,171	-	169,525	-
Grants	461,436	-	-	461,436	-
Earnings on investments	732,815	-	-	732,815	927,493
Interest expense	-	(9,612)	-	(9,612)	-
Amortization of bond issuance costs	-	(2,703)	-	(2,703)	-
Loss or gain on asset disposal	-	-	-	-	(33,007)
Total Nonoperating Revenues (Expenses)	<u>1,195,605</u>	<u>155,856</u>	<u>-</u>	<u>1,351,461</u>	<u>894,486</u>
Income (Loss) Before Transfers	639,873	(997,969)	(209,382)	(567,478)	3,778,663
Transfer in	-	4,159,625	-	4,159,625	-
Transfer out	-	-	(288,581)	(288,581)	-
Total Transfers	<u>-</u>	<u>4,159,625</u>	<u>(288,581)</u>	<u>3,871,044</u>	<u>-</u>
Change in net assets	639,873	3,161,656	(497,963)	3,303,566	3,778,663
Total net assets - January 1	<u>23,128,411</u>	<u>1,011,235</u>	<u>1,836,228</u>	<u>25,975,874</u>	<u>17,075,089</u>
Total net assets - December 31	<u>\$ 23,768,284</u>	<u>\$ 4,172,891</u>	<u>\$ 1,338,265</u>	<u>\$ 29,279,440</u>	<u>\$ 20,853,752</u>
Change in net assets				\$ 3,303,566	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				686,803	
Change in net assets of business type activities				<u>\$ 3,990,369</u>	

The notes to the financial statements are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities				Governmental Activities - Internal Service Funds
	Enterprise Funds				
	Solid Waste Management	Chris Jensen Health and Rehabilitation Center	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 5,419,700	\$ 14,449,614	\$ 2,989,884	\$ 22,859,198	\$ 313,880
Receipts from interfund services provided	-	-	-	-	37,280,956
Payments to suppliers	(3,573,440)	(4,153,978)	(1,237,234)	(8,964,652)	(5,192,430)
Payments to employees	(1,978,404)	(11,281,391)	(1,957,148)	(15,216,943)	(4,474,917)
Claims paid	-	-	-	-	(27,700,483)
Other receipts (payments)	518,151	135,978	11,955	666,084	1,562,676
Net cash provided (used) by operating activities	<u>386,007</u>	<u>(849,777)</u>	<u>(192,543)</u>	<u>(656,313)</u>	<u>1,789,682</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Proceeds from taxes	1,360	168,090	-	169,450	-
Proceeds from grants	461,436	-	-	461,436	-
Transfer to other funds	-	-	(288,581)	(288,581)	-
Repayment of interfund loan	-	(3,250,386)	-	(3,250,386)	-
Proceeds from interfund transfer	-	4,159,625	-	4,159,625	-
Net capital provided (used) by noncapital financing activities	<u>462,796</u>	<u>1,077,329</u>	<u>(288,581)</u>	<u>1,251,544</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(155,939)	(106,917)	(27,650)	(290,506)	(572,592)
Disposal of capital assets	-	-	2,080	2,080	-
Principal paid on capital debt	-	(105,000)	-	(105,000)	-
Interest paid on capital debt	-	(9,875)	-	(9,875)	-
Net capital provided (used) by capital and related financing activities	<u>(155,939)</u>	<u>(221,792)</u>	<u>(25,570)</u>	<u>(403,301)</u>	<u>(572,592)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(20,022,248)	-	-	(20,022,248)	(38,361,460)
Sale of investments	19,289,133	-	-	19,289,133	35,538,961
Interest and dividends	497,959	-	-	497,959	709,120
Net cash provided by investing activities	<u>(235,156)</u>	<u>-</u>	<u>-</u>	<u>(235,156)</u>	<u>(2,113,379)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	457,708	5,760	(506,694)	(43,226)	(896,289)
Balances - January 1	<u>1,119,573</u>	<u>27,418</u>	<u>1,387,163</u>	<u>2,534,154</u>	<u>8,258,520</u>
Balances - December 31	<u>\$ 1,577,281</u>	<u>\$ 33,178</u>	<u>\$ 880,469</u>	<u>\$ 2,490,928</u>	<u>\$ 7,362,231</u>
Detail on Statement of Net Assets					
Cash and cash equivalents					
Current	\$ 981,331	\$ -	\$ 880,469	\$ 1,861,800	\$ 7,362,231
Restricted					
Debt service	-	33,178	-	33,178	-
Noncurrent					
Restricted					
Financial assurance	595,950	-	-	595,950	-
Total	<u>\$ 1,577,281</u>	<u>\$ 33,178</u>	<u>\$ 880,469</u>	<u>\$ 2,490,928</u>	<u>\$ 7,362,231</u>

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Business-type Activities				Governmental Activities - Internal Service Funds
	Enterprise Funds				
	Solid Waste Management	Chris Jensen Health and Rehabilitation Center	Other Enterprise Funds	Total	
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (555,732)	\$ (1,153,825)	\$ (209,382)	\$ (1,918,939)	\$ 2,884,177
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	789,747	141,478	11,778	943,003	380,732
(Increase) Decrease Receivables, net	(20,478)	238,339	(521)	217,340	(118,961)
(Increase) Decrease Due from other governments	162,746	-	(89,991)	72,755	36,435
(Increase) Decrease Inventories	-	12,176	3,239	15,415	1,925
(Increase) Decrease Prepaid Items	(200)	-	10,721	10,521	(44,000)
Increase (Decrease) Accounts payable	(174,763)	(27,040)	(14,921)	(216,724)	341,854
Increase (Decrease) Salaries payable	37,710	77,844	34,468	150,022	56,175
Increase (Decrease) Due to other funds	-	234	-	234	-
Increase (Decrease) Compensated absences payable	64,384	(138,983)	61,134	(13,465)	(655,082)
Increase (Decrease) Claims payable	-	-	-	-	(1,094,589)
Increase (Decrease) Due to other governments	(40)	-	932	892	19,899
Increase (Decrease) Unearned revenue	-	-	-	-	(18,883)
Increase (Decrease) Closure and post closure	82,633	-	-	82,633	-
Total Adjustments	941,739	304,048	16,839	1,262,626	(1,094,495)
Net cash provided by operating activities	<u>\$ 386,007</u>	<u>\$ (849,777)</u>	<u>\$ (192,543)</u>	<u>\$ (656,313)</u>	<u>\$ 1,789,682</u>
NON-CASH ACTIVITIES					
Change in fair market value of investments	\$ 31,187	\$ -	\$ -	\$ -	\$ (5,558)

The notes to the financial statement are an integral part of this statement.

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

Private-purpose trust funds - The **Patients' Escrow** fund is used to account for the deposit and subsequent return of nursing home residents' trust funds deposited with the County Auditor. The County acts only as the custodian of these funds and ownership rests with the nursing home patients.

Investment trust funds - are used to report governmental external investment pools in separately issued reports and the external portion of these same pools when reported by the sponsoring government.

Agency funds - are used to report resources held by the reporting government in a purely custodial capacity.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	<u>Private-Purpose Trust Fund</u>	<u>Investment Trusts</u>	<u>Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ 12,632	\$ 23,887	\$ 12,683,389
Investments	41,532	32,428,669	1,400,039
Delinquent taxes receivable	-	-	44,051
Accounts receivable	-	-	59,881
Accrued interest receivable	1,092	778,849	-
Due from other funds	808	-	-
Due from other governments	-	-	1,848,084
Total Assets	<u>56,064</u>	<u>33,231,405</u>	<u>16,035,444</u>
LIABILITIES			
Accounts payable	1,804	-	2,258,562
Salaries payable	-	-	620,773
Interfund payable	-	-	-
Due to other governments	-	1,388,069	13,156,109
Total Liabilities	<u>1,804</u>	<u>1,388,069</u>	<u>16,035,444</u>
NET ASSETS			
Held in trust for pool participants and other purposes	<u>\$ 54,260</u>	<u>\$ 31,843,336</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Private-Purpose Trust Fund	Investment Trusts
ADDITIONS		
Taconite taxes	\$ -	\$ 49,058,059
Earnings on investments	1,811	1,580,687
Miscellaneous	98,108	-
Total Additions	99,919	50,638,746
DEDUCTIONS		
Refunds of contributions	106,800	-
Distributions to participants	-	46,112,759
Total Deductions	106,800	46,112,759
Changes in net assets	(6,881)	4,525,987
Net assets - January 1	61,141	27,317,349
Net assets - December 31	\$ 54,260	\$ 31,843,336

The notes to the financial statements are an integral part of this statement.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2006

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ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

Note 1. Summary of Significant Accounting Policies

The financial reporting policies of St. Louis County conform to generally accepted accounting principles. The following is a summary of significant policies.

A. Financial Reporting Entity

St. Louis County was established March 1, 1856, as an organized county having powers, duties and privileges granted counties by Minn. Stat. Ch. 373. The County is governed by a seven-member Board of Commissioners elected from districts within the County. A County Administrator is appointed by the County Board. The board is organized with a chair and vice-chair elected at the annual meeting in January of each year. The County Auditor, elected on a county-wide basis, serves as the Clerk of the Board of Commissioners but has no voting privileges.

As a result of applying the Governmental Accounting Standards Board (GASB) Statement 14 criteria for determining the reporting entity, the following organization has been included in the County's financial statements:

St. Louis County Housing and Redevelopment Authority (Blended Component Unit)

The St. Louis County Housing and Redevelopment Authority is headed by a Board comprised of all members of the St. Louis County Board of Commissioners. It was established for the purpose of conducting housing and economic development services for St. Louis County. The County Administrator is the Executive Director of the Authority. The Authority follows the same accounting policies as the County. A tax is levied by the Authority, subject to a maximum amount established by the County Board, on certain areas within the County to help support the activities of the Authority.

Separate financial information can be obtained from the St. Louis County Auditor's Office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the County and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for Agency Funds, which are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Subject to the availability criterion, state-aid highway allotments for maintenance and construction are recognized as revenue in the year of allotment. Availability for state-aid allotments is within 90 days of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, and other long-term obligations, are recorded only when payment is due.

Property taxes, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

The Road and Bridge Special Revenue Fund accounts for the proceeds of revenue sources restricted to expenditures related to public works activities.

The Public Health and Human Services Special Revenue Fund accounts for the operations and financial activities of the Public Health and Human Services Department.

The Forfeited Tax Sale Special Revenue Fund accounts for the proceeds from the sale or lease of lands forfeited to the State of Minnesota.

The Capital Projects Fund accounts for building and remodeling projects for governmental activities.

The County reports the following major proprietary funds:

The Solid Waste Management Fund accounts for the activities of solid waste operations within the County, but outside the Western Lake Superior Sanitary District service area.

The Chris Jensen Health and Rehabilitation Center Fund accounts for the activities of the Center, a nursing home, and a health and rehabilitation facility for the public.

Additionally, the County reports the following fund types:

Nonmajor Special Revenue Funds account for the Housing and Redevelopment Authority activities, the Community Development Block Grant activities, the Northeast Minnesota Housing Consortium, the Septic Loan program, and the Forest Resources activities.

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long term debt.

The Shoreline Sales Permanent Fund is used to report resources that are legally restricted to the extent that only 5-1/2 percent of the market value of the fund on January 1 of the preceding calendar year may be used to support the County's program.

Enterprise Funds account for Community Food Service activities, Laundry services, and Supervised Living Facilities services to other government agencies and various County departments.

Internal Service Funds account for Printing services, County Garage (fleet management) services, Property, Casualty, Liability Insurance coverage, Workers' Compensation Insurance coverage, Medical/Dental Insurance coverage, Management Information Systems services, Telecommunications services, and Retired Employees' Health Insurance coverage provided to other departments or agencies of the County or to other governments, on a cost reimbursement basis.

ST. LOUIS COUNTY, MINNESOTA
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The Patients' Escrow Private Purpose Trust Fund is used to account for resources legally held for nursing home residents.

The Investment Trust Funds account for individual investment accounts provided to another legally separate entity, the State of Minnesota, for Taconite Relief under Minn. Stat. §298.015 and Taconite Production Tax under Minn. Stat. §298.24.

Agency Funds account for resources held by the County in a purely custodial capacity and include the State of Minnesota, Beer-Auctioneer Licenses, Taxes and Penalties, Payroll Deductions, Series EE Savings Bond, Canceled Check, High Voltage Credit, Arrowhead Regional Corrections, Permit to Carry Firearms, Community Health Services, Duluth Area Family Service Collaborative, Local Collaborative Time Study, Regional Railroad Authority, Northern Counties Land Use Board, and Agency Miscellaneous funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in lieu of taxes and other charges between the County's proprietary operations and various other functions of the County. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds, and the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

ST. LOUIS COUNTY, MINNESOTA
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D. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of Differences Between Governmental Funds Balance Sheet and the Statement of Net Assets

The "total fund balances" of the County's governmental funds differs from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental funds balance sheet.

	Total Governmental Funds	Long-term Assets Liabilities (1)	Internal Service Funds (2)	Reclassification and Elimination (3)	Statement of Net Assets Total
ASSETS					
Cash and cash equivalents	\$ 98,161,252	\$ -	\$ 7,362,231	\$ -	\$ 105,523,483
Investments	15,179,107	-	20,322,871	-	35,501,978
Assets held by escrow agent	7,873,673	-	-	-	7,873,673
Delinquent taxes receivable	4,032,357	-	-	(4,032,357)	-
Accounts receivable (net)	19,895,838	-	704,776	(20,600,614)	-
Accrued interest receivable	851,717	-	291,041	(1,142,758)	-
Loans receivable	863,634	-	-	(863,634)	-
Leases receivable	81,500	-	-	(81,500)	-
Interfund receivable	866,368	-	-	(866,368)	-
Due from other governments	10,465,189	-	17,890	(10,483,079)	-
Receivables (net)	-	-	-	37,203,942	37,203,942
Internal balances	-	-	886,963	-	886,963
Inventories	4,334,029	-	194,860	-	4,528,889
Prepaid items	106,720	-	44,000	-	150,720
Capital assets not being depreciated	-	11,595,339	25,500	-	11,620,839
Capital assets being depreciated, net	-	323,323,305	1,739,509	-	325,062,814
Total Assets	<u>162,711,384</u>	<u>334,918,644</u>	<u>31,589,641</u>	<u>(866,368)</u>	<u>528,353,301</u>
LIABILITIES					
Accounts payable	7,244,652	-	614,490	12,647,168	20,506,310
Contracts payable	736,638	-	-	(736,638)	-
Salaries payable	3,653,185	-	118,931	(3,772,116)	-
Bond interest payable	-	145,819	-	(145,819)	-
Interfund payable	866,368	-	-	(866,368)	-
Due to other governments	817,966	7,063,031	111,598	(7,992,595)	-
Unearned revenue	1,326,873	-	686,856	-	2,013,729
Deferred revenue	22,706,365	(22,706,365)	-	-	-
Advance from other governments	6,371,386	-	-	-	6,371,386
Noncurrent liabilities					
Due within one year	-	11,608,808	3,569,077	-	15,177,885
Due in more than one year	-	70,300,636	4,747,974	-	75,048,610
Total Liabilities	<u>43,723,433</u>	<u>66,411,929</u>	<u>9,848,926</u>	<u>(866,368)</u>	<u>119,117,920</u>
FUND BALANCE/NET ASSETS					
Invested in capital assets, net of related debt	-	302,947,958	1,765,009	-	304,712,967
Restricted					
Reserved	20,646,019	-	-	(9,194,298)	11,451,721
Special revenue funds	11,523,408	-	-	-	11,523,408
Debt service fund	9,887,917	-	-	(145,819)	9,742,098
Capital projects fund	10,984,026	-	-	(7,248,706)	3,735,320
Unrestricted					
Designated	65,946,581	-	-	2,123,286	68,069,867
Undesignated	-	(34,441,243)	19,975,706	14,465,537	-
Total unrestricted	<u>65,946,581</u>	<u>(34,441,243)</u>	<u>19,975,706</u>	<u>16,588,823</u>	<u>68,069,867</u>
Total Fund Balance/Net Assets	<u>118,987,951</u>	<u>268,506,715</u>	<u>21,740,715</u>	<u>-</u>	<u>409,235,381</u>
Total Liabilities and Fund Balance/Net Assets	<u>\$ 162,711,384</u>	<u>\$ 334,918,644</u>	<u>\$ 31,589,641</u>	<u>\$ (866,368)</u>	<u>\$ 528,353,301</u>

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(1) When capital assets (land, buildings, equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in the governmental funds. However, the statement of net assets includes those capital assets among the assets of the County as a whole.

Cost of capital assets	\$ 550,531,406
Accumulated depreciation	<u>(215,612,762)</u>
	<u>\$ 334,918,644</u>

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by deferred revenue in the governmental funds, and thus are not included in fund balance. Also, there are liabilities related to some of these deferred assets that are not included in fund balance.

Adjustment of deferred revenue	<u>\$ 22,706,365</u>
Adjustment of due to other governments	<u>\$ 7,063,031</u>

Long-term liabilities applicable to the County's government activities are not due and payable in the current period and accordingly are not reported in fund liabilities. All liabilities -- both those due within one year and those due in more than one year -- are reported in the statement of net assets. Balances at December 31, 2006 were:

Bond interest payable	<u>\$ 145,819</u>	
	Due Within	Due In More
	One Year	Than One Year
Bonds and notes payable	<u>\$ 5,641,017</u>	<u>\$ 40,149,035</u>
Gravel pit purchase	65,000	65,000
Compensated absences	5,842,291	29,721,401
Capital leases payable	<u>60,500</u>	<u>365,200</u>
	<u>\$ 11,608,808</u>	<u>\$ 70,300,636</u>

(2) Internal service funds are used by management to charge the cost of certain activities, such as insurance and printing, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The amount chargeable to the business type activities is shown as an internal balance. The internal balance is due from business type activities.

Internal balance due from business-type activities	<u>\$ 886,963</u>
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(3) Reclassifications are used primarily to condense various receivables and payables into single totals, Receivables, net and Accounts payable and to reclassify fund balance accounts that are not available for appropriation to proper net assets account. Eliminations are to offset interfund receivables and payables.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Explanation of Differences Between Governmental Funds Operating Statement and the Statement of Activities

The "net change in fund balances" for governmental funds differs from the "change in net assets" for governmental activities reported in the statement of activities. The differences arise primarily from the long-term economic focus of the statement of activities versus the current financial resources focus of the governmental funds.

	Total Governmental Funds	Long-term Revenue, Expenses (1)	Capital Related Items (2)	Internal Service Funds (3)	Long-term Debt Transactions (4)	Statement of Activities Totals
Revenues and Other Sources						
Taxes	\$ 90,929,063	\$ 523,156	\$ -	\$ -	\$ -	\$ 91,452,219
Licenses and permits	156,606	-	-	-	-	156,606
Intergovernmental	98,882,892	567,342	249,033	-	-	99,699,267
Charges for services	12,029,779	-	-	-	-	12,029,779
Fines and forfeits	201,088	-	-	-	-	201,088
Earnings on investments	7,011,940	-	-	927,493	-	7,939,433
Gifts and contributions	12,457	-	-	-	-	12,457
Land and timber sales	11,753,426	907,592	-	-	-	12,661,018
Miscellaneous	4,312,043	(37,763)	-	-	-	4,274,280
Other sources:						
Bonds issued	7,845,000	-	-	-	(7,845,000)	-
Premium proceeds	87,863	-	-	-	(87,863)	-
Total	233,222,157	1,960,327	249,033	927,493	(7,932,863)	228,426,147
Expenditures/Expenses						
Current:						
General government	29,573,303	-	1,054,304	(240,402)	376,476	30,763,681
Public safety	40,881,994	-	(971,082)	(498,509)	347,284	39,759,687
Highways and streets	32,083,124	(508,073)	7,178,621	(1,005,177)	(192,463)	37,556,032
Health and sanitation	6,547,383	-	30,674	(28,710)	275,637	6,824,984
Human services	66,254,073	-	126,635	(290,096)	(422,632)	65,667,980
Culture and recreation	1,539,447	-	61,863	-	-	1,601,310
Conservation of natural resources	7,317,595	865,536	230,883	(100,021)	60,845	8,374,838
Economic developmer	4,641,791	-	1,680	(1,452)	(39,263)	4,602,756
Debt service:						
Principal	5,428,091	-	-	-	(5,428,091)	-
Interest and other charges	1,987,288	9,434	-	-	-	1,996,722
Refunding bonds redeemed	2,940,000	-	-	-	(2,940,000)	-
Capital outlay	29,426,501	-	(29,426,501)	-	-	-
Total	228,620,590	366,897	(21,712,923)	(2,164,367)	(7,962,207)	197,147,990
Other financing uses/changes						
in net assets:						
Transfers in	(6,675,213)	-	-	-	-	(6,675,213)
Transfers out	10,546,257	-	-	-	-	10,546,257
Increase in inventories	(508,073)	508,073	-	-	-	-
Total	3,362,971	508,073	-	-	-	3,871,044
Net change for the year	\$ 1,238,596	\$ 1,085,357	\$ 21,961,956	\$ 3,091,860	\$ 29,344	\$ 27,407,113

ST. LOUIS COUNTY, MINNESOTA
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(1) Because some property taxes will not be collected for several months after the County's fiscal year ends, they are not considered as "available revenues" in the governmental funds. Similarly, certain aids and grant revenues not currently available at year-end are not reported as revenue in the governmental funds.

Property taxes	\$ 523,156
Long-term receivables:	
Intergovernmental	567,342
Land & timber sales	907,592
General fund	<u>(37,763)</u>
	<u>\$ 1,960,327</u>

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Due to other governments	<u>\$ 865,536</u>
Bond interest payable	<u>\$ 9,434</u>

(2) When capital assets that are to be used in governmental activities are purchased or constructed, the resources expended for those assets are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year. Changes to capital assets not resulting from capital outlay, such as contributions from the State and other governments for road construction projects, work in progress and retirements, are reported as contributions or additional expense.

Capital outlay	\$ (29,426,501)
Depreciation expense	<u>8,700,543</u>
Difference	<u>\$ (20,725,958)</u>
Contributions	\$ 1,532,794
Additional expense	<u>(296,796)</u>
	<u>\$ 1,235,998</u>

(3) Internal service funds are used by management to charge the costs of certain activities, such as insurance and printing, to individual funds. The adjustments for internal service funds "close" those funds by debiting or crediting additional amounts to participating governmental and business type activities to completely cover the internal service funds' income or loss for the year.

(4) Repayment of bond principal is reported as an expenditure in governmental funds and, thus, has the effect of reducing fund balance because current financial resources have been used. For the County as a whole, however, the principal payments reduce the liabilities in the statement of net assets and do not result in an expense in the statement of activities. The County's bonded debt was reduced when principal payments were made to bond holders. Changes in long-term liabilities (compensated absences and capital leases) also result in an expense in the statement of activities.

Principal payments made	\$ (5,428,091)
Refunding bonds redeemed	\$ (2,940,000)
Compensated absences	543,566
Gravel pit purchase	(65,000)
Other	<u>(72,682)</u>
	<u>\$ (7,962,207)</u>

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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E. Budgetary Data

General Budget Policies

The County is required by Minn. Stat. Ch. 383C to adopt an annual budget for the General, Special Revenue, and Debt Service Funds. These budgets are prepared on the modified accrual basis of accounting.

The County is also required to adopt a budget for the Capital Projects Fund. An appropriation for expenditures from the capital project fund continues in force until the purpose for which it was made has been accomplished or abandoned. The purpose of a capital expenditure appropriation is abandoned if three years pass without a disbursement from or encumbrance of the appropriation or at the discretion of the County Administrator. These budget periods are not consistent with the method of financial reporting; therefore, comparisons between the results of operations and budgets in this fund is not relevant and is not presented.

The County Board has established the legal level of control for County departments to be at the agency level. County departments are comprised of one or more sub-departments (agencies). Each department (Sheriff) can spend its agency level budgets (Jail, Sheriff Patrol, Boat and Water Safety and others) on any line item within that agency so long as the total agency budget is not overspent. However, no public aid assistance and/or personal services budget authority may be used for any other purpose without Board approval. The budgetary comparisons included in the Governmental Funds subsection of this report demonstrate compliance with the legal level of budgetary control.

The County Board also authorizes Department Heads to add and delete positions within their personnel complement so long as the total full-time equivalent personnel complement does not exceed the total number of authorized positions approved by the County Board.

All transfers of appropriations between departments require the approval of the County Board. Each appropriation, except an appropriation within the Capital Project Fund, lapses at the close of the fiscal year to the extent that it has not been expended or encumbered. Amounts in funds unexpended at the end of the fiscal year may be carried over from one fiscal year to the next in accordance with generally accepted accounting principles.

Budgets can be amended during the year by the County Board. Supplemental appropriations or budget reductions are reviewed by the County Administrator's office and submitted to the County Board for their review and approval. If approved, they are implemented by the Auditor's Office as budget revisions. Supplemental appropriations could be required because of several factors, including the awarding of state and federal grants during the year and providing funding for unanticipated program requirements. Budget revisions were necessary during the year. The effect of these amendments was an increase in budgeted County funds of: \$10,308,964.

Procedure for Preparing the Annual Budget

1. Early each year, the County Administrator meets with budget staff to discuss preparations for next year's budget. A basic budget strategy is developed at that time, based on guidelines and policies established by the County Board.
2. Budget request forms are sent out to each department. Included is a memo from the County Administrator highlighting basic guidelines for preparing the budget request.
3. All departments submit preliminary estimates of their requested appropriations and anticipated revenues by the end of May. These figures are used to determine the amount of tax levy that would be required to meet departmental requests, and the amount of budget adjustments that the County Administrator will need to make during the preliminary budget hearings in order to meet goals established by the County Board.
4. Preliminary budget hearings are held by the County Administrator with each department. These hearings begin about mid-June and last until about mid-July.
5. The County Administrator's recommended budget is given to the County Board prior to September 15. The County Board will certify by resolution to the County Auditor a maximum proposed property tax levy by September 15th, which will be used to comply with the Truth in Taxation provisions of state law.
6. The County Board holds formal public hearings on the proposed budget and adopts by resolution the final budget and tax levy on or before December 28.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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F. Restatements and Reclassifications

As of January 1, 2006, the County determined that the fund balance in the Public Health and Human Services Special Revenue Fund was overstated due to the overaccrual of revenue in the prior year.

As of January 1, 2006, the County determined that the net assets amount for Governmental activities was overstated due to the overaccrual of revenue in the prior year.

	Fund Balance Net Assets January 1, 2006 As Previously Reported	Revenue Overaccrual	Fund Balance Net Assets January 1, 2006 As Restated
Major Funds			
Public Health and Human Services Special Revenue Fund	\$ 16,220,742	\$ (667,152)	\$ 15,553,590
Governmental Activities	\$ 388,692,915	\$ (6,864,647)	\$ 381,828,268
Business-type Activities	24,402,108	-	24,402,108
Total	<u>\$ 413,095,023</u>	<u>\$ (6,864,647)</u>	<u>\$ 406,230,376</u>

Several account balances were reclassified as of and for the year ended December 31, 2005, as previously reported. These reclassifications, which did not require a restatement of net assets or fund balance, were required for comparability to the financial statements as of and for the year ended December 31, 2006. Although comparative statements for 2005 are not presented here, these reclassifications must be considered when comparing the financial statements of this report with those of prior reports.

ST. LOUIS COUNTY, MINNESOTA
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G. Assets, Liabilities, and Net Assets or Equity

Cash and Cash Equivalents

Available cash balances from all funds are pooled and invested in accordance with Minnesota State Statutes. Cash balances and pooled investments are at fair value based on quoted market prices. The pool is not subject to regulatory oversight. Fair value amounts are determined at year end. The County has not provided or obtained any legally binding guarantees to support the value of the pool. Pursuant to Minn. Stat. §385.07, investment earnings on cash balances and pooled investments are credited to the General Fund. Other funds received investment earnings based on other statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings credited to the General Fund for 2006 were \$5,569,072. Each fund's share of the pool is shown on the financial statements as "Cash and Cash Equivalents." For proprietary fund-type statement of cash flows, all change funds and all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased are considered to be cash equivalents.

St. Louis County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

St. Louis County invests in an external investment pool, the Minnesota State of Board of Investments, under authority of Minnesota Statutes Chapter 11A. Minnesota statutes, section 11A.24, broadly restricts investments to United States and Canadian Governments, their agencies, and their registered corporations; short-term obligations of specified high quality; restricted participation as a limited partner in venture, capital, real estate, or resource equity investments; restricted participation in registered mutual funds; and some qualified foreign instruments. Information on investment activity, investment management fees and a listing of specific investments owned by the pools asset account can be obtained from SBI, Suite 355, 60 Empire Drive, St. Paul, Minnesota, 55103.

Property Taxes

In September of each year the County Board certifies a proposed property tax levy to the County Auditor. Notices of proposed taxes are mailed to taxpayers informing them of the proposed tax on their property and of the time and location of a meeting at which the final property tax levy will be established by the Board of County Commissioners. Subsequent to that meeting but within five business days of December 20, the Board certifies to the County Auditor the final property tax levy, which generally cannot exceed the proposed levy.

The tax levy is spread on all taxable property based on the value of the property on the assessment date. At the time the taxes are spread they become a lien on the property as of the assessment date, although they do not become due and payable until the subsequent January 1. For the most part, taxpayers are allowed to pay the taxes in two equal installments on or before May 15 and October 15 without penalty. Revenues are accrued and recognized in the year collectible, net of delinquencies. Taxes which remain unpaid at December 31 are delinquent. Collections within 60 days after year-end are recognized as revenue and the balance offset by deferred revenue.

ST. LOUIS COUNTY, MINNESOTA
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Inventories

Road and Bridge Special Revenue Fund inventories consist of expendable supplies held for consumption and are valued at cost using the moving average method. Inventoried items are recorded as expenditures at the time that they are purchased. The reported inventories are offset by a reserve of fund balance to indicate that they do not constitute available spendable resources.

The enterprise funds inventories consist of expendable supplies held for consumption and are recorded as an expense when used. Internal service funds' inventories consist of items for resale and consumption and are recorded as an expense when sold or used. Inventories are priced at the lower of cost or market on a first-in, first-out basis, or the moving average method.

Restricted Assets

Certain proceeds of the Chris Jensen Health and Rehabilitation Center Fund bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. Also, certain resources are restricted for financial assurance within the Solid Waste Management Fund. When an expense is incurred for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Major outlays for capital assets and improvements are capitalized as projects are constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Depreciation has been provided over the estimated useful life using the straight-line method. For the purposes of depreciating infrastructure capital assets, all roads and bridges are considered a network. The estimated useful lives are:

Buildings and Improvements:	30-70 years
Improvements other than buildings:	10-20 years
Machinery and equipment:	5-10 years
Vehicles:	5-7 years
Infrastructure:	55 years

ST. LOUIS COUNTY, MINNESOTA
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Compensated Absences

Under the County's personnel policies and union contracts, County employees are granted vacation and sick leave in varying amounts based on length of service and bargaining agreement. Vacation leave accrual varies from 2.00 to 9.50 hours per biweekly pay period. Sick leave accrual varies from 2.00 to 5.75 hours per biweekly pay period.

Unused accumulated vacation is paid to employees at termination. All vacation pay is accrued when earned in the government-wide and proprietary fund financial statements.

Vested sick leave is paid to employees at retirement or is used for the payment of employee's health insurance coverage during their retirement. The vested sick leave and unvested sick leave likely to become vested (vesting sick leave) are estimated using the vesting method prescribed by GASB Statement No. 16. Both vested and vesting amounts are recognized in the government-wide and proprietary fund financial statements as liabilities, but not in the governmental funds.

Unvested sick leave for all County funds in the amount of \$7,905,368 (total accumulated sick leave less estimated amounts of vested and vesting sick leave) at December 31, 2006 is available to employees in the event of illness-related absences and is not reported in the financial statements.

Closure and Postclosure Care Costs

In accordance with Governmental Accounting Standards Board's Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs, the County has accrued liabilities for closure and postclosure costs associated with future closing of its Regional Landfill.

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of the financial statement date. The \$1,439,679 for the open area reported on the Solid Waste Management Enterprise Fund statement of net assets as landfill closure and postclosure liability at December 31, 2006, represents the following:

Postclosure liability

This is the liability for post closure costs for the Regional Landfill.	\$813,242
It is based on the use of 66.11% of the existing open area.	

Closure liability

This is the liability for closure cost for the Regional Landfill.	
It is based on the use of 66.11% of the existing open area.	\$626,437

The County will recognize the remaining \$738,031 in costs of closure and postclosure care of the open area as the remaining estimated capacity of the open area of the Regional Landfill is filled. The amounts are based on what it would cost to perform all closure and postclosure care in 2007. The County expects the open area to be closed in 2009 or later. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a restricted account to finance closure and postclosure care of the last cell that will be accepting waste. The County is in compliance with these requirements, and at December 31, 2006, restricted assets of \$2,834,118 are included in the amounts shown on the Solid Waste Management Enterprise Fund balance sheet as Restricted Assets Financial Assurance - Cash and cash equivalents, Investments, and Accrued interest receivable.

Financial assurance fund contributions necessary to accumulate these funds will be generated from service fees and tipping fees on solid waste, as well as from funds generated from the Greater Minnesota Landfill Cleanup fee. This fee is \$2.00 per cubic yard on solid waste deposited at the landfill.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net Assets

The government-wide statement of net assets reports \$37,884,997 of restricted net assets, of which \$21,247,025 is restricted by enabling legislation.

H. Federal Audit Requirements

The Single Audit Act Amendments of 1996 requires the County to have a single, independent audit of its financial operations, including compliance with certain provisions of federal law and regulations. This audit requirement was complied with for fiscal year ended December 31, 2006; the auditor's reports on compliance and internal accounting control will be issued

I. Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Note 2. Stewardship, Compliance and Accountability

A. Excess of Expenditures Over Budget

For the year ended December 31, 2006, expenditures exceeded budget in the Debt Service Fund by \$96,674. These excess costs were funded by the General Obligation Capital Improvement Crossover Refunding Bond proceeds.

B. Deficit Net Asset Balance

The Community Food Enterprise Fund had a deficit net asset balance of \$17,138 as of December 31, 2006. In 2007, rates were increased and staffing levels were revised to address this issue.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2006

Note 3. Detailed Notes on all Funds and Account Groups

A. Assets

Deposits and Investments

Reconciliation of the County's total deposits, cash on hand, and investments to the basic financial statements follows:

Governmental Activities:

Current assets:

Cash and cash equivalents	\$ 105,523,483
Investments	35,501,978

Business-type Activities:

Current assets:

Cash and cash equivalents	1,861,800
Investments	14,076,999

Restricted assets:

Debt Service	
Cash and cash equivalents	33,178
Financial Assurance	
Cash and cash equivalents	595,950
Investments	2,175,383

Fiduciary Activities

Current assets:

Cash and cash equivalents	12,719,908
Investments	33,870,240
Total	<u>206,358,919</u>

Deposits	74,809,928
Cash on hand	1,910,686
Investments	129,638,305
Total deposits, cash on hand, and investments	<u>\$ 206,358,919</u>

(Amounts in Dollars)

	Held for External Investment Pool Participants Investment Trust Funds	Held for Internal Investment Pool Participants All Other County Funds	Total
Cash and cash equivalents	23,887	120,710,432	120,734,319
Investments	32,428,669	53,195,931	85,624,600
Total	<u>32,452,556</u>	<u>173,906,363</u>	<u>206,358,919</u>

ST. LOUIS COUNTY, MINNESOTA
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Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. §118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk--Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk and follows Minnesota Statutes regarding pledged collateral. The market value of collateral must equal 110% of the deposits not covered by insurance or surety bonds. As of December 31, 2006, \$3,324,330 of the County's deposits were uninsured and uncollateralized. This was remedied January 3, 2007.

Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts

As of December 31, 2006, the County had the following investments and maturities:

	Fair Value	Investment Maturities in Years			
		Less than 1	1-2	2-3	More than 3
Brokered CD's	\$ 10,540,000	\$ 7,525,000	\$ 2,920,000	\$ -	\$ 95,000
Commercial paper	53,411,404	53,411,404	-	-	-
Minnesota State Board of Investment	6,200,056	6,200,056	-	-	-
FHLB	44,292,786	7,201,575	14,694,028	15,309,463	7,087,720
FHLMC	9,364,908	4,632,132	999,000	2,233,776	1,500,000
FNMA	5,829,151	2,940,083	2,889,068	-	-
Total	\$ 129,638,305	\$ 81,910,250	\$ 21,502,096	\$ 17,543,239	\$ 8,682,720

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the County's investment policy requires at least 40% of total investments to have terms of one year or less. Investment maturities for long term pooled investments are limited as follows:

Maturity	Maximum Investment
One to two years	90%
Two to three years	95%
Less than four years	100%

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

The County's exposure to credit risk as of December 31, 2006, is as follows:

Rating	Fair Value
S&P A-1+	\$ 22,794,649
S&P A-1	13,957,972
S&P AAA	53,693,511
S&P AA2	900,000
MDY P-1	21,552,117
Total	\$ 112,898,249

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy regarding investment custodial risk. At December 31, 2006, none of the County's investments were subject to custodial credit risk.

Concentration of Credit Risk. The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. County policy requires that investments with one issuer be less than 5% of total investments. U.S. Government securities, mutual funds, and external investment pools are exempt from this restriction.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2006

Cash and Cash Equivalents

The following is a reconciliation of the carrying amount of the cash and cash equivalents account and the equity in the pool by fund:

	<u>(Amounts in Dollars)</u>	
	<u>Equity in Pool</u>	<u>Advances</u>
Governmental Activities:		
General Fund	41,339,105	
Special Revenue Funds:		
Road and Bridge	23,527,992	
Public Health and Human Services	14,407,004	
Forfeited Tax Sale	-	(738,074)
Housing and Redevelopment Authority	604,031	
Community Development Block Grant	-	(106,590)
Northeast Minnesota Housing Consortium	-	(21,704)
Septic Loan	194,162	
Forest Resources	11,235,033	
Debt Service Fund	1,966,258	
Capital Projects Fund	5,216,664	
Permanent Fund	537,371	
Internal Service Funds	7,362,231	
Total Equity	<u>106,389,851</u>	
Less: Advances	<u>(866,368)</u>	
Total Governmental Activities	<u>105,523,483</u>	
Business Activities:		
Enterprise Funds	2,490,928	
Fiduciary Activities:		
Private-Purpose Trust Fund	12,632	
Investment Trust Funds	23,887	
Agency Funds	<u>12,683,389</u>	
Total Fiduciary Activities	<u>12,719,908</u>	
Total	<u>120,734,319</u>	<u>(866,368)</u>

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Due From Other Governments

The following amounts were due from other governments at December 31, 2006:

	(Amounts in Dollars)			
	Federal	State	Local/Other	Total
Governmental Activities:				
General Fund	\$ 833,478	\$ 407,781	\$ 224,962	\$ 1,466,221
Special Revenue Funds				
Road and Bridge	318,750	2,176,537	378,229	2,873,516
Public Health and Human Services	1,659,464	4,018,458	-	5,677,922
Community Development Block Grant	286,834	-	-	286,834
Northeast Minnesota Housing Consortium	80,059	-	24,060	104,119
Forest Resources	-	56,552	-	56,552
Total Special Revenue Funds	2,345,107	6,251,547	402,289	8,998,943
Debt Service Fund	-	21	-	21
Capital Projects Fund	-	4	-	4
Internal Service Funds	-	15,499	2,391	17,890
Total Governmental Activities	3,178,585	6,674,852	629,642	10,483,079
Business-type Activities:				
Enterprise Funds	-	178,347	-	178,347
Fiduciary Activities:				
Agency Funds	112,799	1,565,907	169,378	1,848,084
Total	\$ 3,291,384	\$ 8,419,106	\$ 799,020	\$ 12,509,510

Restricted Assets

Business-type activities

Debt service	
Cash and cash equivalents	\$ 33,178
Delinquent taxes receivable	4,779
Deferred charges - issuance costs	4,506
Financial assurance	
Cash and cash equivalents	595,950
Investments	2,175,383
Accrued interest receivable	62,785
Total	<u>\$ 2,876,581</u>

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Capital Assets

Capital asset activity for the year ended December 31, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,988,971	\$ 9,700	\$ -	\$ 1,998,671
Construction in progress	6,644,820	6,484,524	(3,507,176)	9,622,168
Total capital assets, not being depreciated	<u>8,633,791</u>	<u>6,494,224</u>	<u>(3,507,176)</u>	<u>11,620,839</u>
Capital assets, being depreciated:				
Buildings and structures	81,019,169	3,714,676	-	84,733,845
Machinery and equipment	14,993,865	3,846,091	(362,100)	18,477,856
Vehicles	42,825,338	3,408,399	(2,009,158)	44,224,579
Infrastructure	382,493,483	17,575,672	-	400,069,155
Total capital assets being depreciated	<u>521,331,855</u>	<u>28,544,838</u>	<u>(2,371,258)</u>	<u>547,505,435</u>
Less accumulated depreciation for:				
Buildings and structures	(30,955,271)	(1,675,392)	-	(32,630,663)
Machinery and equipment	(13,222,691)	(686,096)	329,183	(13,579,604)
Vehicles	(28,489,466)	(2,371,410)	1,712,272	(29,148,604)
Infrastructure	(142,734,568)	(4,349,182)	-	(147,083,750)
Total accumulated depreciation	<u>(215,401,996)</u>	<u>(9,082,080)</u>	<u>2,041,455</u>	<u>(222,442,621)</u>
Total capital assets, being depreciated, net	<u>305,929,859</u>	<u>19,462,758</u>	<u>(329,803)</u>	<u>325,062,814</u>
Governmental activities, capital assets, net	<u>\$ 314,563,650</u>	<u>\$ 25,956,982</u>	<u>\$ (3,836,979)</u>	<u>\$ 336,683,653</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 363,922	\$ -	\$ -	\$ 363,922
Capital assets, being depreciated:				
Buildings and structures	13,347,691	-	-	13,347,691
Improvements other than buildings	8,135,816	-	-	8,135,816
Machinery and equipment	2,415,669	203,804	-	2,619,473
Linens	233,291	4,991	(2,080)	236,202
Vehicles	870,115	81,711	-	951,826
Total capital assets being depreciated	<u>25,002,582</u>	<u>290,506</u>	<u>(2,080)</u>	<u>25,291,008</u>
Less accumulated depreciation for:				
Buildings and structures	(4,398,862)	(340,825)	-	(4,739,687)
Improvements other than buildings	(4,652,563)	(389,452)	-	(5,042,015)
Machinery and equipment	(1,531,620)	(100,663)	-	(1,632,283)
Vehicles	(581,992)	(112,063)	-	(694,055)
Total accumulated depreciation	<u>(11,165,037)</u>	<u>(943,003)</u>	<u>-</u>	<u>(12,108,040)</u>
Total capital assets, being depreciated, net	<u>13,837,545</u>	<u>(652,497)</u>	<u>(2,080)</u>	<u>13,182,968</u>
Business-type activities, capital assets, net	<u>\$ 14,201,467</u>	<u>\$ (652,497)</u>	<u>\$ (2,080)</u>	<u>\$ 13,546,890</u>

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Depreciation expense was charged to functions/programs as follows:

Governmental activities	
General government	\$ (634,375)
Public safety	(779,044)
Highways	(6,859,024)
Health and sanitation	(30,674)
Human services	(126,635)
Culture and recreation	(61,863)
Conservation of natural resources	(207,248)
Economic development	(1,680)
Internal Service Funds	(381,537)
Total depreciation expenses - governmental activities	<u>\$ (9,082,080)</u>
Business-type activities	
Solid Waste Management	\$ (789,747)
Chris Jensen Health and Rehabilitation Center	(141,478)
Other Enterprise Funds	(11,778)
Total depreciation expenses - business-type activities	<u>\$ (943,003)</u>

B. Liabilities

Deferred Revenue

Deferred revenue consists of taxes that are not collected soon enough after year-end to pay liabilities of the current year, state and federal grants and aids received but not yet earned, credit accounts receivable balances, and long-term receivables.

	Fund Financial Statements				
	Accounts Receivable	Aid and Grants	Taxes	Long-Term Receivables	Total
Governmental Activities:					
General Fund	\$ 1,838	\$ 640,733	\$ 1,436,490	\$ 322,584	\$ 2,401,645
Special Revenue Funds:					
Road and Bridge	-	1,095,162	683,598	-	1,778,760
Public Health and Human Services	-	948,425	968,931	-	1,917,356
Forfeited Tax Sale	-	-	-	17,657,578	17,657,578
Housing and Redevelopment Authority	-	-	6,257	-	6,257
Debt Service Fund	-	-	233,265	-	233,265
Capital Projects Fund	-	-	38,377	-	38,377
Internal Service Funds	686,856	-	-	-	686,856
Total Governmental Activities	<u>688,694</u>	<u>2,684,320</u>	<u>3,366,918</u>	<u>17,980,162</u>	<u>24,720,094</u>
Business-type Activities:					
Enterprise Funds	105,492	-	5,341	-	110,833
Total	<u>\$ 794,186</u>	<u>\$ 2,684,320</u>	<u>\$ 3,372,259</u>	<u>\$ 17,980,162</u>	<u>\$ 24,830,927</u>

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2006

Statement of Net Assets			
	Accounts Receivable	Aid and Grants	Total
Governmental Activities:			
General Fund	\$ 1,838	\$ 223,451	\$ 225,289
Special Revenue Funds			
Road & Bridge	-	1,095,162	1,095,162
Public Health and Human Services	-	6,422	6,422
Internal Service Funds	686,856	-	686,856
Total Governmental Activities	688,694	1,325,035	2,013,729
Business-type Activities:			
Enterprise Funds	105,492	1,449	106,941
Total	\$ 794,186	\$ 1,326,484	\$ 2,120,670

Advance From Other Governments

The Minnesota Department of Transportation (MnDOT) has advanced to the County a portion of future years' regular construction allotment funds for the purpose of financing current County state-aid projects. The balance of \$6,371,386 reported in the financial statements as Advance from other governments represents funds received from MnDOT that will be recognized as revenue in the year the allotment normally would have accrued. As a result, the County anticipates receiving approximately 43% of its normal construction allotment during 2007.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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Long-Term Debt

Long-term liability activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One-Year
GOVERNMENTAL ACTIVITIES					
<i>Bonds, notes, and tax lease obligations payable</i>					
General obligation debt					
Capital Improvement Bonds 2001	\$ 11,285,000	\$ -	\$ (820,000)	\$ 10,465,000	855,000
Jail Refunding Bond 2002B	4,000,653	-	(1,284,224)	2,716,429	1,334,224
Capital Equipment Notes 2002C	2,087,615	-	(1,028,974)	1,058,641	1,058,641
Capital Improvement Bonds 2004A	13,223,317	-	(750,628)	12,472,689	770,628
Capital Equipment Notes 2004B	2,223,126	-	(721,215)	1,501,911	741,215
Refunding Bonds 2004C	811,859	-	(147,412)	664,447	157,412
Capital Improvement Bonds 2005A	6,138,449	-	(308,390)	5,830,059	323,390
LEC Refunding Bonds 2005B	2,982,907	-	(370,661)	2,612,246	385,661
Capital Improvement Crossover Bonds 2006A	-	7,932,863	(6,178)	7,926,685	8,237
General obligation revenue notes	547,836	-	(5,891)	541,945	6,609
Tax lease obligations (HRA)					-
Law Enforcement Center 1997	2,940,000	-	(2,940,000)	-	-
<i>Total bonds, notes and tax lease obligations payable</i>	46,240,762	7,932,863	(8,383,573)	45,790,052	5,641,017
Other Liabilities					
Gravel pit purchase	195,000	-	(65,000)	130,000	65,000
Compensated absences	38,026,585	9,385,537	(9,497,054)	37,915,068	6,574,298
Claims payable	7,060,264	24,949,568	(26,044,157)	5,965,675	2,837,070
Capital leases payable	482,900	-	(57,200)	425,700	60,500
<i>Total other liabilities</i>	45,764,749	34,335,105	(35,663,411)	44,436,443	9,536,868
Governmental activities long-term liabilities	\$ 92,005,511	\$ 42,267,968	\$ (44,046,984)	\$ 90,226,495	\$ 15,177,885
BUSINESS-TYPE ACTIVITIES					
<i>Bonds Payable</i>					
General obligation debt					
2002 Jensen - payable from restricted assets	\$ 320,000	\$ -	\$ (105,000)	\$ 215,000	\$ 105,000
Other Liabilities					
Compensated absences	2,924,694	552,264	(565,729)	2,911,229	571,466
Customer deposits	100	-	-	100	-
Closure and post-closure liabilities	1,357,046	82,633	-	1,439,679	-
<i>Total other liabilities</i>	4,281,840	634,897	(565,729)	4,351,008	571,466
Business-type activities long term liabilities	\$ 4,601,840	\$ 634,897	\$ (670,729)	\$ 4,566,008	\$ 676,466

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$8,317,051 of internal service funds compensated absences, claims payable, and capital leases payable are included in the above amounts. Also, for the governmental activities, claims, capital leases, and compensated absences are generally liquidated by the major funds.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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(Amounts in Dollars)

General obligation bonds and notes payable at December 31, 2006, consist of the following issues:

<p>\$14,270,000 General Obligation Capital Improvement Bonds due in annual installments of \$705,000 to \$1,280,000 on December 1, 2002, through 2016; interest at 3.5 to 5.0 percent. This bond was issued to finance capital improvements.</p>	10,465,000
<p>\$7,415,000 General Obligation Jail Refunding Bonds due in annual installments of \$1,085,000 to \$1,360,000 on December 1, 2003, through 2008; interest at 3.00 to 3.25 percent, including unamortized premium of \$46,429. This bond was issued to refund the Jail Revenue Bonds Series 1993A.</p>	2,716,429
<p>\$5,000,000 General Obligation Capital Equipment Note due in annual installments of \$950,000 to \$1,055,000 on December 1, 2003, through 2007; interest at 2.00 to 2.65 percent, including unamortized premium of \$3,641. This bond was issued to finance capital equipment purchases.</p>	1,058,641
<p>\$13,785,000 General Obligation Capital Improvement Bonds due in annual installments of \$640,000 to \$1,215,000 on December 1, 2005, through 2019; interest at 3.00 to 4.00 percent, including unamortized premium of \$72,689. This bond was issued to finance capital improvements.</p>	12,472,689
<p>\$2,900,000 General Obligation Capital Equipment Note due in annual installments of \$695,000 to \$755,000 on December 1, 2005, through 2008; interest at 2.00 to 3.00 percent, including unamortized premium of \$11,911. This bond was issued to finance capital equipment purchases.</p>	1,501,911
<p>\$960,000 General Obligation Refunding Bonds due in annual installments of \$20,000 to \$170,000 on December 1, 2004, through 2010; interest at 2.00 to 3.50 percent, including unamortized premium of \$9,447. This bond was issued to refund the AJC GO Bonds Series 1995.</p>	664,447
<p>\$6,115,000 General Obligation Capital Improvement Bonds due in annual installments of \$430,000 to \$535,000 on December 1, 2006, through 2020; interest at 3.7 to 3.9 percent, including unamortized premium of \$20,059. This bond was issued to finance capital improvements</p>	5,830,059
<p>\$2,840,000 General Obligation Refunding bonds due in annual installments of \$350,000 to \$470,000 on December 1, 2006, through 2012; interest at 4.00 to 5.00 percent, including unamortized premium of \$122,246. This bond was issued to refund the Law Enforcement Facilities Revenue Bonds. The transaction results in a difference in the cash flow requirements of \$137,085. The net present value benefit of the refunding issue is \$120,560 and results in a reduction of \$137,085 in future debt service payments.</p>	2,612,246
<p>\$7,845,000 General Obligation Capital Improvement Crossover Refunding Bonds due in annual installments of \$1,005,000 to \$1,245,000 on December 1, 2010 through 2016; interest at 3.75 percent, including unamortized premium of \$81,685. This bond was issued to crossover refund \$7,795,000 of the \$10,465,000 outstanding of the \$14,270,000 General Obligation Capital Improvement bonds, Series 2001, dated May 1, 2001. The net present value benefit of the refunding issue is \$276,208 and results in a reduction of \$359,585 in future debt service payments. The crossover refunding will occur December 1, 2009.</p>	7,926,685

General obligation revenue notes payable at December 31, 2006, consist of the following issues:

<p>\$50,000 1998 General Obligation Revenue Note Payable to the Minnesota Department of Agriculture (Department) to provide the initial funds for the septic system improvement loan program under the Agricultural Best Management Loan Program. The terms require repayment to the Department after ten years an amount equal to the principal repaid to date by the individual borrowers, plus interest on idle funds must be repaid semi-annually. After year ten, principal amounts plus interest on idle funds must be repaid semi-annually.</p>	27,833
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ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
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\$200,000 1998 General Obligation Revenue Note payable to the Minnesota Department of Agriculture (Department) to provide the initial funds for the septic system improvement loan program under the Agricultural Best Management Loan Program. The terms require repayment to the Department, an amount equal to the principal repaid to date by the individual borrowers, plus interest on idle funds must be repaid semi-annually. After year ten, principal amounts plus interest on idle funds must be repaid semi-annually.	200,000
\$340,000 2000 General Obligation Revenue Note Payable to the Minnesota Pollution Control Agency to provide low interest loans to citizens and entities of the County for Best Management Practices, including improvements to individual sewage systems. The terms require semi-annual repayments beginning June 15, 2002.	35,112
\$200,000 2001 General Obligation Revenue Note Payable to the Minnesota Department of Agriculture (Department) to provide additional funds for the septic system improvement loan program. The terms require repayment to the Department, after ten years an amount equal to the principal repaid to date by the individual borrowers. After year ten, principal amounts must be repaid semi-annually.	200,000
\$79,000 2004 General Obligation Revenue Note Payable to the Minnesota Department of Agriculture (Department) to provide additional funds for the septic system improvement loan program. The terms require repayment to the Department, after ten years an amount equal to the principal repaid to date by the individual borrowers, plus interest on idle funds must be repaid semi-annually. After year ten, principal amounts plus interest on idle funds must be repaid semi-annually.	79,000

Fund Long-Term Debt

Governmental Activities General Obligation Long-Term Debt to Maturity is as follows:

Year Ending 12/31/06	General Obligation	
	Principal	Interest
2007	\$ 5,641,017	\$ 1,750,808
2008	4,737,746	1,575,133
2009	2,718,569	1,410,653
2010	3,827,318	1,305,244
2011	3,805,201	1,156,403
2012-2016	19,358,822	3,455,908
2017-2021	5,677,679	479,430
2022-2024	23,700	-
Total:	\$ 45,790,052	\$ 11,133,579

Business Type Activities Debt Service to maturity are as follows:

Year Ending 12/31/06	Nursing Home 2005	
	Principal	Interest
2007	105,000	6,725
2008	110,000	3,575
Total:	\$ 215,000	\$ 10,300

ST. LOUIS COUNTY, MINNESOTA
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Business-type activities bonds payable at December 31, 2006 consist of the following issue:

\$600,000 2002 General Obligation Nursing Home revenue bonds due in annual installments of \$85,000 to \$110,000 on December 1, 2003, through 2008; interest at 3 to 3.25 percent. This bond was issued to finance remodeling at the Chris Jensen Health and Rehabilitation Center. 215,000

Gravel pit purchase payable at December 31, 2006, consists of the following:

\$325,000 payable to an individual for the purchase of a gravel pit payable in annual installments of \$65,000 in 2005 through 2008; interest at 7 percent. 130,000

The annual requirements to service the gravel pit purchase payable as of December 31, 2006, are as follows:

Year Ending	Principal	Interest
12/31/06		
2007	65,000	4,550
2008	65,000	4,550
Total:	\$ 130,000	\$ 9,100

The County's proportionate shares of general obligation debt and general obligation revenue debt at December 31, 2006, of all governmental units which provide services within the County's borders, and which must be borne by properties in the County, is summarized below:

	(Amounts in Dollars)		
	Outstanding	Percentage	
		Applicable to the County	County Share of Debt
Direct Debt			
St. Louis County	46,005,052	100.00	46,005,052
Overlapping Debt			
School Districts	69,865,000	26.93	18,815,964
Western Lake Superior Sanitary District	56,827,738	83.62	47,519,355
Underlying Debt			
Cities	145,178,580	100.00	145,178,580
School Districts	88,802,150	100.00	88,802,150
Towns	1,435,339	100.00	1,435,339
Duluth Entertainment and Convention Center	3,565,000	100.00	3,565,000
Duluth Economic Development Authority	6,380,800	100.00	6,380,800
Virginia Housing and Redevelopment Authority	6,035,000	100.00	6,035,000
Total	424,094,659		363,737,240

ST. LOUIS COUNTY, MINNESOTA
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Lease Obligations

Operating Leases

The County is committed under various operating leases for office space, parking facilities, data processing software, office equipment, and vehicles. Most of these leases are expected to continue indefinitely or be replaced by similar leases.

The following is a summary of the operating lease expense for 2006:

Type of Property	Amount
Rental of office space and parking facilities	\$ 575,003
Data processing software	246,104
Hardware	524,944
Total rental expense	\$ 1,346,051

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2006:

Year Ended	Amount
2007	\$ 1,134,764
2008	1,134,764
2009	1,066,006
2010	1,066,006
2011	1,066,006
Total future minimum lease payments	\$ 5,467,546

Capital Lease

The capital lease of the County at December 31, 2006 is shown below:

Type of Property	Governmental Activities
Maintenance facility	\$ 908,924
Less: accumulated depreciation	247,429
Carrying value	\$ 661,495

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2006:

Year Ending	Governmental Activities
2007	\$ 85,523
2008	86,099
2009	85,237
2010	85,131
2011	84,744
2012	85,140
Total future minimum lease payments	511,874
Less: Amount representing interest	(86,174)
Present value of future minimum lease	\$ 425,700

ST. LOUIS COUNTY, MINNESOTA
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Construction Commitments

At December 31, 2006, the County had construction commitments as follows:

	(Amounts in Dollars)			Required Further Financing
	Authorized Projects	Expended to Date	Commitments	
Ely Joint Public Works Facility	7,696,211	4,141,641	3,554,570	840,000
Duluth Courthouse HVAC Replacement Phase 3	250,000	-	-	2,500,000
Duluth Motor Pool Building Repair	1,034,854	72,572	962,282	-
Chris Jensen Facility Repair	473,844	394,850	78,994	-
New Sheriff/911 Dispatch Operations Center	5,348,601	1,715,880	3,632,721	-
Hibbing Annex Remodeling	3,056,914	3,056,074	840	
Law Enforcement Equipment	1,165,000	1,819	1,163,181	
Total	19,025,424	9,382,836	9,392,588	3,340,000

Contingent Liabilities

The State of Minnesota issued revenue bonds, which were secured by the State's full faith and credit. The revenue bonds paid for the costs to acquire, construct, and equip an aircraft maintenance facility at the Duluth International Airport. The facility was leased to Northwest Airlines (NWA). The revenue bonds are to be paid with tax increments, NWA rental payments and City of Duluth franchise fee revenues. The City of Duluth and St. Louis County made various pledges to the State should revenues be insufficient to pay the bonds.

The County executed a General Obligation Reserve Fund Demand Note payable to the state. The payment is to be made by the County only in case of a default on a lease agreement between the Duluth Economic Development Agency (DEDA) and Northwest Airlines, Inc., a Minnesota Corporation. The County collateralized the Note with a pledge of its future state aids. In the event that the anticipated annual state aid payments to the County should decrease to a level below \$1,899,920, the County is obligated to pledge substitute collateral in a form that is acceptable to the State of Minnesota. The Note will expire when the bonds are defeased, which according to the debt service schedule, will occur in the year 2014. However, a large balloon payment is due in that year and if the issue is refunded, the note will be continued until the refunding issue is defeased.

NWA filed for bankruptcy on September 14, 2005. They did not pay their property tax on October 15, 2005 and made a partial lease payment due on January 30, 2006. This resulted in the State demanding \$116,514 from St. Louis County to pay into the reserve fund; reserve funds were then used to pay the bond interest, due on January 31, 2006.

A settlement between St. Louis County, Northwest Airlines, the City of Duluth, and the State of Minnesota provides for the redemption of the State revenue bonds, return of the County note and repayment of the partial reserve payment of \$116,514 made by the County pursuant to the note described above. It also provides for the payment of delinquent property taxes and the taxes assessed for 2007 and 2008. The settlement agreement was approved by the United States Bankruptcy Court on May 21, 2007.

Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County maintains three internal service funds to account for and finance its purchased insurance and uninsured risks of loss. In none of the past three years did the County have a loss exceeding coverage for purchased insurance. Insurance coverage has not significantly changed from the prior year.

The Property, Casualty, Liability Insurance Fund covers claims and judgments against the County, including administrative expenses and expenses for third-party coverage. All risk, except fire and property damage to major structures is assumed. Maximum third-party coverage for property damage is limited to the estimated value of the property. No claims have exceeded coverage. Premiums are charged to other County funds on the historical basis and are reported as quasi-external transactions. The estimated liability at year end is based on a case-by-case evaluation by the County Attorney's Office and is consistent with the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The County Attorney's Office estimated settlements to be \$50,100 at December 31, 2006, for various cases considered "reasonably possible" losses to the County. This amount is not reflected in the financial statements.

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The Workers' Compensation Insurance Fund covers workers' compensation claims up to \$1,560,000 per single loss occurrence. At that point, the County is covered for losses by the Workers' Compensation Reinsurance Association, an organization created by Minnesota statutes in 1979 to implement a mandatory program of reinsurance for workers' compensation liability risks in the State of Minnesota for losses occurring on or after October 1, 1979. The Association provides full indemnification for the County for claims arising under Minn. State. Chapter 176 (2002) in excess of the \$1,560,000 retention limit. The estimated liability for workers' compensation reported in the Fund is based on a case-by-case examination of claims filed through December 31, 2006, and is consistent with the requirements of Governmental Standards Board Statement No. 10 which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The estimated liability for claims payable at the end of the year is present valued at 5.09%

This percentage is the average investment yield for the first two months of the subsequent year. The activities of the Fund are supported by premiums from County funds which have personnel; the premiums are based on historical costs and are reported as quasi-external transactions. A portion of the premiums is for the administrative costs and reinsurance costs which are paid from the Fund; a portion of the premiums is for the provision for expected future catastrophic losses.

The Medical/Dental Insurance Fund covers medical and dental expenses incurred by the County employees, dependents, and retirees, including the costs of claims management by a third party administrator and the cost of an insurance consultant. Premiums include a provision for stop-loss insurance and administrative expenses and are based on anticipated claims and available net assets. The County carries individual-specific stop loss insurance for claims that exceed \$750,000 per year per employee contract. All County funds with personnel are charged for the County's share of premiums for employees and these charges are reported as quasi-external transactions.

Employees contribute a share of the premiums from payroll deductions; premiums for retirees are paid for in part by other County funds and in part by the retirees themselves. The liability at year end is an actuarial calculation by the third party administrator; it includes a reasonable provision for incurred but not reported claims and is consistent with the provision of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the funds' claims liability amounts during 2005 were:

	(Amounts in Dollars)		
	Property, Casualty, & Liability Insurance Fd	Workers' Compensation Insurance Fund	Medical/ Dental Insurance Fund
Beginning of fiscal year liability for claims	200,850	4,961,483	2,407,324
Current year claims and changes in estimates	76,804	2,127,412	23,067,679
Claim payments	(170,999)	(2,230,795)	(23,379,494)
Balance of claims payable at fiscal year end	106,655	4,858,100	2,095,509

Changes in the funds' claims liability amounts during 2006 were:

	(Amounts in Dollars)		
	Property, Casualty, & Liability Insurance Fd	Workers' Compensation Insurance Fund	Medical/ Dental Insurance Fund
Beginning of fiscal year liability for claims	106,655	4,858,100	2,095,509
Current year claims and changes in estimates	243,585	1,256,224	23,449,759
Claim payments	(212,093)	(2,405,802)	(23,426,262)
Balance of claims payable at fiscal year end	138,147	3,708,522	2,119,006

ST. LOUIS COUNTY, MINNESOTA
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Retirement Plan

Plan Description

All full-time and certain part-time employees of St. Louis County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. State. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates, are covered by the Public Employees Correctional Fund.

The PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund Members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the Internet at www.mnpera.com, by writing to PERA, 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088, or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.50 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

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The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007:

	<u>2006</u>	<u>2007</u>
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	6.00%	6.25%
Public Employees Police and Fire Fund	10.50%	11.70%
Public Employees Correctional Fund	8.75%	8.75%

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>Public Employees Retirement Fund</u>	<u>Public Employees Police & Fire Fund</u>	<u>Public Employees Correctional Fund</u>
2006	\$5,344,719	\$772,649	\$456,820
2005	4,726,529	641,903	412,535
2004	4,725,603	652,246	414,397

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2006, 2005, and 2004, were \$7,563, \$7,460, and \$7,503, respectively, and were equal to the contractually required contributions for each year as set by statute.

Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

Due From/To Other Funds (for resident personal needs):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Patients' Escrow Private Purpose Trust Fund	Chris Jensen Health and Rehabilitation Enterprise Fund	<u>\$ 808</u>

Interfund Receivables/Payables (for deficit cash balances):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Forfeited Tax Sales Fund	\$ 738,074
	Community Development Block Grant Fund	\$ 106,590
	Northeast Minnesota Housing Consortium Fund	21,704
	Total	<u>\$ 866,368</u>

ST. LOUIS COUNTY, MINNESOTA
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Interfund Transfers:

Major fund	Major				Total Transfers In Major
	General	Road and Bridge	Forfeited Tax Sale	Capital Projects	
General	\$ -	\$ -	\$ 2,255,000	\$ 49,644	\$ 2,304,644
Road and Bridge	365,000	-	-	-	365,000
Public Health and Human Services	53,000	-	-	-	53,000
Capital Projects	518,078	-	-	-	518,078
Chris Jensen Health and Rehabilitation	4,159,625	-	-	-	4,159,625
Nonmajor governmental fund					
Forest Resources	-	-	1,888,724	-	1,888,724
Septic Loan	-	-	-	-	-
Debt Service	-	461,700	-	-	461,700
Total Transfers Out	\$ 5,095,703	\$ 461,700	\$ 4,143,724	\$ 49,644	\$ 9,750,771

Major fund	Nonmajor			Total Transfers In Nonmajor	Total Transfers In
	Forest Resources	Shoreline Sales	Supervised Living		
General	\$ 555,486	\$ 120,000	\$ -	\$ 675,486	\$ 2,980,130
Road and Bridge	-	-	-	-	365,000
Public Health and Human Services	-	-	288,581	288,581	341,581
Capital Projects	20,000	-	-	20,000	538,078
Chris Jensen Health and Rehabilitation	-	-	-	-	4,159,625
Nonmajor governmental fund					
Forest Resources	-	-	-	-	1,888,724
Septic Loan	-	100,000	-	100,000	100,000
Debt Service	-	-	-	-	461,700
Total Transfers Out	\$ 575,486	\$ 220,000	\$ 288,581	\$ 1,084,067	\$ 10,834,838

The transfers from the General Fund were for the Hoyt Lakes Ely Economic Development Corridor, moving costs for the Health department, Northland Office Building excess revenues, the Ely public works facility, Attorney office remodeling, and Chris Jensen operating subsidy.

The transfer from the Road and Bridge Fund was for Ely debt service.

The transfers from the Forfeited Tax Sale Fund were to apportion that fund's net proceeds for the year as prescribed by law.

The transfer from the Capital Projects Fund was for janitorial services in Hibbing.

The transfers from the Forest Resources fund were for various economic development projects.

The transfers from the Shoreline Sales Permanent Fund were for Soil and Water Conservation Districts and Septic Loan Funds.

The transfer from the Supervised Living Facilities fund was to supplement operations.

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Note 4. Joint Ventures

Arrowhead Regional Corrections

Arrowhead Regional Corrections is governed by an eight-member board composed of a member appointed from each of the participating counties' boards of commissioners, except for St. Louis County, which has three members from its board. In addition, the right to have an additional member is annually rotated among Carlton, Cook, Koochiching, and Lake Counties. The County records all the financial transactions for Arrowhead Regional Corrections through its Arrowhead Regional Corrections Agency Fund. Its deposits and investments are included in the County's foregoing note on deposits and investments.

Arrowhead Regional Corrections is financed through state grants and contributions from the participating counties. During 2005, (the most recent available), county contributions were in the following proportion:

Carlton County	9.38%
Cook County	1.44%
Koochiching County	1.96%
Lake County	2.19%
St. Louis County	<u>85.03%</u>
Total	<u><u>100.00%</u></u>

St. Louis County provided \$10,140,614 in funding during 2006. Separate financial information can be obtained from:

Arrowhead Regional Corrections
 Room 319 St. Louis County Courthouse
 Duluth, Minnesota 55802

A summary of the financial information from Arrowhead Regional Corrections' Government-Wide Financial Statements for December 31, 2005 (the most recent available), was:

Total Assets	\$ 11,657,200
Total Liabilities	5,384,127
Total Net Assets	6,273,073
Total Revenues/Sources	18,420,835
Total Expenses/Uses	17,920,160
Change in Net Assets	500,675

Community Health Services Board

Carlton, Cook, Lake, and St. Louis Counties entered into a joint powers agreement, operating the Carlton, Cook, Lake, and St. Louis County Community Health Services Board. This agreement is entered into under the authority of the Community Health Services Act and is pursuant to the provisions of Minn. Stat. §471.59. The Community Health Services Board is composed of nine members. Carlton, Cook, and Lake County Boards of Commissioners, each appoints two members; the St. Louis County Board of Commissioners appoints three members. Financing is obtained through federal and state grants. St. Louis County provided no funding to this organization during 2006.

A summary of the financial information of the Community Health Services Board Government-Wide Financial Statements for December 31, 2005, (the most recent available) was:

Total Assets	\$ 566,542
Total Liabilities	453,372
Total Net Assets	113,170
Total Revenues/Sources	3,286,432
Total Expenses/Uses	3,262,257
Change in Net Assets	24,175

Separate financial information can be obtained from:

Carlton, Cook, Lake, and St. Louis Counties
 Community Health Board
 404 West Superior Street, Suite 220
 Duluth, Minnesota 55802

ST. LOUIS COUNTY, MINNESOTA
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Regional Railroad Authority

The St. Louis and Lake Counties Regional Railroad Authority was established under the Regional Railroad Authorities Act, Minn. Stat. §398A.03. It is governed by a Board composed of three members from the St. Louis County Board of Commissioners and two members from Lake County Board of Commissioners. St. Louis County is the fiscal agent for the Railroad Authority and all of its financial transactions are recorded in the County Regional Railroad Authority Agency Fund. Financing is obtained through a tax levy, and federal, state and local grants or participation. St. Louis County provided no funding to this organization during 2006.

A summary of the financial information of the Regional Railroad Authority for the Government-Wide Financial Statement for December 31, 2005, (the most recent available) was:

Total Assets	\$ 8,119,664
Total Liabilities	458,604
Total Net Assets	7,661,060
Total Revenues/Sources	1,154,288
Total Expenses/Uses	1,577,040
Change in Net Assets	(422,752)

Separate financial information can be obtained from:

St. Louis & Lake Counties Regional Railroad Authority
801 SW Hwy 169
Suite #4
Chisholm, Minnesota 55719

Northeast Minnesota Office of Job Training

The Counties of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St. Louis entered into joint powers agreement pursuant to Minn. Stat. §471.59 for the purpose of developing and implementing a private and public job training program. The United States Congress through the Job Training Partnership Act of 1982 authorized states to establish "service delivery area" to provide programs to achieve full employment through the use of grants. The counties identified above are defined as such "service delivery areas" and the Northeast Minnesota Office of Job Training is designated as the grant recipient and administrator for such service delivery area. The County is not a funding mechanism for this organization.

The governing body is composed of seven members, one from the board of commissioners of each of the participating counties.

A summary of the financial information of Northeast Minnesota Office of Job Training's Government-Wide Statements for June 30, 2006, was:

Total Assets	\$ 2,749,976
Total Liabilities	1,182,416
Total Net Assets	1,567,560
Total Revenues/Sources	4,940,929
Total Expenses/Uses	4,915,961
Change in Net Assets	24,968

Separate financial information can be obtained from:

Northeast Minnesota Office of Job Training
820 North Ninth Street, Suite 210
Virginia, Minnesota 55792

ST. LOUIS COUNTY, MINNESOTA
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Northern Counties Land Use Board

Northern Counties Land Use Board was established through a joint powers agreement pursuant to Minn. Stat. §471.59 for the purpose of helping to formulate land use plans for the protection, sustainable use, and development of lands and natural resources.

The joint powers are the Counties of Aitkin, Cook, Itasca, Koochiching, Lake, Lake of the Woods, and St. Louis. Three elected county commissioners from St. Louis County and two from each of the other counties comprise the membership of the Board. St. Louis County handles all of the financial transactions for this organization through its Northern Counties Land Use Board Agency Fund. St. Louis County provided \$3,750 in funding during 2006.

A summary of the financial information of Northern Counties Land Use Board for the Government-Wide Financial Statements for December 31, 2004, (the most recent available) was:

Total Assets	\$	27,283
Total Liabilities		5,243
Total Net Assets		22,040
Total Revenues/Sources		51,250
Total Expenses/Uses		42,956
Change in Net Assets		8,294

Separate financial information can be obtained from:

Northern Counties Land Use Board
Room 607 Government Services Center
320 West Second Street
Duluth, Minnesota 55802

Minnesota Counties Information Systems (MCIS)

The Counties of Aitkin, Carlton, Cass, Chippewa, Cook, Crow Wing, Dodge, Itasca, Koochiching, LacQui Parle, Lake, Sherburne, and St. Louis entered into a joint powers agreement pursuant to Minnesota Stat. §471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by an thirteen member board, composed of a member appointed by each of the participating counties' boards of commissioners. Financing is obtained through user charges to the members. Cass County is the fiscal agent for MCIS.

A summary of the financial information of Minnesota Counties Information System's funds for the Government-Wide Financial Statements for December 31, 2004, (the most recent available) was:

Total Assets	\$	630,562
Total Liabilities		240,172
Total Net Assets		390,390
Total Revenues		2,193,747
Total Expenses		2,114,231
Change in Net Assets		79,516

Separate financial information can be obtained from:

Minnesota Counties Information Systems
413 Southeast 7th Avenue
Grand Rapids, MN 55744

ST. LOUIS COUNTY, MINNESOTA
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DECEMBER 31, 2006

Duluth Area Family Service Collaborative

The Duluth Area Family Service Collaborative was established pursuant to Minn. Stat. §124D.23. The Collaborative includes St. Louis County, Independent School District No. 709, Arrowhead Regional Corrections, and the City of Duluth. The purpose of the Collaborative is to improve the lives of families and children through efforts focused on prevention and early intervention. The Collaborative seeks to empower parents and families to solve their own problems through support, information, skill building, and advocacy.

Control of the Collaborative is vested in a Board of Directors. The County has one member on the Board. Financing is provided by state and federal grants, appropriations from the Collaborative members, and miscellaneous revenues. St. Louis County provided no funding to the Collaborative during 2006. St. Louis County is the fiscal agent for the Collaborative which is accounted for in the Duluth Area Family Service Collaborative Agency Fund. A summary of financial information of the Collaborative for the year ended December 31, 2006, is:

Total Assets	\$	58,834
Total Liabilities		-
Total Fund Equity		58,834
Total Revenues/Sources		-
Total Expenses/Uses		-
Increase (decrease) in Fund Balance		-

Separate financial information can be obtained from the St. Louis County Auditor's Office.

Minnesota Community Capital Fund

The County is a Class A member of the Minnesota Community Capital Fund (MCCF). The MCCF was established to address unmet development financing needs of communities and economic development organizations throughout Greater Minnesota by pooling local revolving loan fund resources and providing professional management services to support local efforts. The MCCF is designed to provide its members with greater flexibility and the capacity to originate multiple loans that are much larger than would be possible with limited local resources.

Note 5. Summary of Significant Contingencies and Other Items

Claims and Litigation

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

Participation in the Medicaid reimbursement program requires field audits of the Chris Jensen Health and Rehabilitation Center Enterprise Fund nursing home records, and review of its compliance with applicable rules and regulations by the Minnesota Department of Human Services at least once every four years. Based on the results of these audits, current year revenues paid by the State may be adjusted accordingly.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

Termination Offers and Benefits

In December, 1995, the County Board approved an early retirement incentive plan for the Sheriff's Department employees who meet the following criteria:

The employee has completed 25 years of service with the County

The employee is at least age 50.

The employee qualifies for retirement under the Police and Fire Fund of the Minnesota Public Employees Retirement Association.

The employee retires effective December 18, 1995, through April 1, 1996.

The plan offers the eligible retiree continuing County paid single low option health insurance coverage until the employee reaches age 65.

In February, 2002, the County Board authorized County management to develop a plan for early retirement incentives for Nopeming employees not transferred to other County departments. The plan applies to employees who meet the following criteria:

The employee is at least age 55 and combined age and years of covered PERA service is equal to 85 or more.

The employee retires effective September 13, 2002 through November 1, 2002.

The plan offers the eligible retiree continuing County paid single medical and dental insurance coverage until the employee reaches age 65 or Medicare eligibility, whichever comes first.

In October, 2003, the County Board approved an early retirement incentive plan for employees and elected officials who meet the following criteria:

The employee is at least age 55, has a minimum of five years of service with the County, and a combined age and years of covered PERA service equal to 85 or more.

The employee retires effective November 1, 2003, through March 31, 2004.

The plan offers the eligible retiree continuing County paid single low option health insurance coverage for four years or until the employee reaches age 65 or Medicare eligibility, whichever comes first.

As of December 31, 2006, 49 employees have termination benefits payable for them under these offers. The County paid \$300,005 for these benefits during 2006. The County holds \$317,240 of net assets in the Retired Employees' Health Insurance Internal Service Fund for future payments under these termination benefit plans. This approximates the discounted present value of expected future payments.

Management Agreement

The County has a management contract with Historic Union Depot, Inc. (H.U.D.) which requires H.U.D. to manage the Depot for the ultimate benefit of the public; to carry out a program of cultural, recreational, social or similar community services and artistic activities.

The County is required to provide H.U.D. with a statement of actual operating costs within 60 days of year end. If actual operating costs exceed the annual payments from H.U.D., the County Board's annual contribution, and any rental income received by the County towards annual operating expenses, the H.U.D. is responsible to pay this additional amount to the County within 30 days of notice by the County. If actual operating costs are less than the annual payments from H.U.D., the County Board's annual contribution, and any rental income received by the County towards annual operating expenses, the County will adjust the H.U.D. annual payment for the following year. As of December 31, 2006, H.U.D. owes the County \$34,419 under this agreement.

ST. LOUIS COUNTY, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2006

Northwoods Townhomes Project

During 2006, the St. Louis County Housing and Redevelopment Authority (the County HRA), the City of Ely Housing and Redevelopment Authority (the City HRA), the City of Ely (the City), and St. Louis County (the County) entered into an agreement to finance the costs of acquisition, construction and equipping of a multifamily rental housing project for the elderly consisting of 26 single story townhouse units located in the City of Ely, Minnesota. The County HRA irrevocably appointed the City HRA as its agent in connection with the project.

The City HRA issued \$3,800,000 of revenue bonds for the project payable with rents collected for the units. The County pledged its full faith and credit and taxing powers to the payment of the debt service on the revenue bonds should the cash flow projection of net revenues (as prepared by the City HRA) not equal at least 105 percent of the scheduled debt service payments for the next calendar year. If the County is required to make debt service payments as described above, the City pledges its general obligation to indemnify the County for the debt payments made up to a maximum of \$3,000,000. The City HRA agrees to repay the County to the extent the County is not indemnified by the City.

The project will be jointly owned by the County HRA and the City HRA. The City HRA will manage the project including construction, operation and maintenance. If the County HRA and the City HRA mutually agree to offer the project for sale, the County HRA is entitled to 20 percent of the net sale proceeds.

Conduit Debt

On May 1, 1992, the St. Louis County Housing and Redevelopment Authority (HRA), a blended component unit of St. Louis County, issued \$540,000 in Fire Hall Lease Certificates of Participation to finance the construction of a fire hall in the Town of Rice Lake, Minnesota. The St. Louis County HRA holds title to the land; the Township makes rental payments equal to debt service on the Certificates to Western National Bank of Duluth, as escrow agent, pursuant to a lease purchase agreement for the project, between the St. Louis County HRA as Lessor and the Township as Lessee. The Certificates mature on May 1, 1993, through May 1, 2007, and bear interest of 4.50% to 7.00%. The County has no obligation for debt service on the Certificates, which do not constitute a pledge of the full faith and credit or taxing power of the County. At December 31, 2006, the principal balance outstanding for the debt is \$55,000.

Tax Forfeited Land Management

The County manages approximately 900,000 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

Subsequent Event

On May 8, 2007, the County Board passed a resolution to authorize the issuance of \$5,000,000 of General Obligation Capital Equipment Notes, Series 2007. The notes will be dated June 20, 2007 and will mature December 1, 2008 through 2011. Proceeds will be used to provide funds to purchase capital equipment and for payment of part of the issuance costs of the notes.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Housing and Redevelopment Authority - This fund is used to provide funds for housing and economic development.

Community Development Block Grant - This fund is used to account for the Federal Grant of the same name.

Northeast Minnesota Housing Consortium - This fund includes Cook, Itasca, Koochiching, Lake, and St. Louis Counties and the City of Duluth. It is not an entity separate from St. Louis County. It is used to account for the federal HOME grant with the purpose of developing affordable housing initiatives.

Septic Loan - This fund is used to account for the Minnesota Pollution Control Loan Program.

Forest Resources - This fund is used to account for the collection and disbursement of proceeds from the sale of tax-forfeited properties.

Debt Service Fund

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of long term-debt principal, interest, and related costs.

Permanent Fund

Permanent funds are used to report resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the counties programs.

Shoreline Sales - This fund is used to account for proceeds from the sale of land, including interest, under Minn. Laws 1999 Ch. 180. The principal from the sale of land may not be expended while any interest earnings may be spent by the County Board only for the purpose related to the improvement of natural resources.

ST. LOUIS COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Special Revenue Funds		
	Housing and Redevelopment Authority	Community Development Block Grant	Northeast Minnesota Housing Consortium
ASSETS			
Cash and cash equivalents	\$ 604,031	\$ -	\$ -
Investments	-	-	-
Assets held by escrow agent	-	-	-
Delinquent taxes receivable	7,681	-	-
Accounts receivable (net)	-	-	-
Loans receivable	125,000	-	-
Due from other governments	-	286,834	104,119
Total Assets	736,712	286,834	104,119
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	-	178,463	82,415
Salaries payable	3,614	1,781	-
Interfund payable	-	106,590	21,704
Deferred revenue	6,257	-	-
Total Liabilities	9,871	286,834	104,119
Fund Balances:			
Reserved for:			
Noncurrent loans	125,000	-	-
Future loans	-	-	-
Encumbrances	-	-	-
Environmental trust funds	-	-	-
Improvement of natural resources	-	-	-
Unreserved:			
Undesignated	601,841	-	-
Total Fund Balance	726,841	-	-
Total Liabilities and Fund Balance	\$ 736,712	\$ 286,834	\$ 104,119

ST. LOUIS COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

Special Revenue Funds (continued)

	Septic Loan	Forest Resources	Total
ASSETS			
Cash and cash equivalents	\$ 194,162	\$ 11,235,033	\$ 12,033,226
Investments	-	-	-
Assets held by escrow agent	-	-	-
Delinquent taxes receivable	-	-	7,681
Accounts receivable (net)	4,564	-	4,564
Loans receivable	497,003	-	622,003
Due from other governments	-	56,552	447,505
Total Assets	695,729	11,291,585	13,114,979
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	17,465	83,619	361,962
Salaries payable	-	-	5,395
Interfund payable	-	-	128,294
Deferred revenue	-	-	6,257
Total Liabilities	17,465	83,619	501,908
Fund Balances:			
Reserved for:			
Noncurrent loans	497,003	-	622,003
Future loans	150,027	-	150,027
Encumbrances	-	317,633	317,633
Environmental trust funds	-	-	-
Improvement of natural resources	-	-	-
Unreserved:			
Undesignated	31,234	10,890,333	11,523,408
Total Fund Balance	678,264	11,207,966	12,613,071
Total Liabilities and Fund Balance	\$ 695,729	\$ 11,291,585	\$ 13,114,979

ST. LOUIS COUNTY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006

	Debt Service Fund	Permanent Fund Shoreline Sales	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,966,258	\$ 537,371	\$ 14,536,855
Investments	-	6,200,056	6,200,056
Assets held by escrow agent	7,873,673	-	7,873,673
Delinquent taxes receivable	281,661	-	289,342
Accounts receivable (net)	-	-	4,564
Loans receivable	-	-	622,003
Due from other governments	21	-	447,526
Total Assets	10,121,613	6,737,427	29,974,019
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	431	-	362,393
Salaries payable	-	-	5,395
Interfund payable	-	-	128,294
Deferred revenue	233,265	-	239,522
Total Liabilities	233,696	-	735,604
Fund Balances:			
Reserved for:			
Noncurrent loans	-	-	622,003
Future loans	-	-	150,027
Encumbrances	-	-	317,633
Environmental trust funds	-	6,386,389	6,386,389
Improvement of natural resources	-	351,038	351,038
Unreserved:			
Undesignated	9,887,917	-	21,411,325
Total Fund Balance	9,887,917	6,737,427	29,238,415
Total Liabilities and Fund Balance	\$ 10,121,613	\$ 6,737,427	\$ 29,974,019

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds		
	Housing and Redevelopment Authority	Community Development Block Grant	Northeast Minnesota Housing Consortium
REVENUES			
Taxes	\$ 167,755	\$ -	\$ -
Intergovernmental	241,388	2,728,725	1,319,784
Earnings on investments	-	-	-
Miscellaneous	-	-	251
Total Revenues	409,143	2,728,725	1,320,035
EXPENDITURES			
Current:			
Conservation of natural resources	-	-	-
Economic development	306,181	2,728,725	1,320,035
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Total expenditures	306,181	2,728,725	1,320,035
Excess (deficiency) of revenues over expenditures	102,962	-	-
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Refunding bonds issued	-	-	-
Refunding bonds redeemed	-	-	-
Premium proceeds	-	-	-
Total other financing sources and uses	-	-	-
Net change in fund balances	102,962	-	-
Fund Balance - January 1	623,879	-	-
Fund Balance - December 31	\$ 726,841	\$ -	\$ -

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

Special Revenue Funds (continued)

	Septic Loan	Forest Resources	Total
REVENUES			
Taxes	\$ -	\$ 476,245	\$ 644,000
Intergovernmental	-	600,903	4,890,800
Earnings on investments	7,692	-	7,692
Miscellaneous	-	205	456
Total Revenues	<u>7,692</u>	<u>1,077,353</u>	<u>5,542,948</u>
EXPENDITURES			
Current:			
Conservation of natural resources	-	1,597,503	1,597,503
Economic development	-	-	4,354,941
Debt service:			
Principal	5,891	-	5,891
Interest and other charges	409	-	409
Total expenditures	<u>6,300</u>	<u>1,597,503</u>	<u>5,958,744</u>
Excess (deficiency) of revenues over expenditures	<u>1,392</u>	<u>(520,150)</u>	<u>(415,796)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	1,888,724	1,988,724
Transfers out	-	(575,486)	(575,486)
Refunding bonds issued	-	-	-
Refunding bonds redeemed	-	-	-
Premium proceeds	-	-	-
Total other financing sources and uses	<u>100,000</u>	<u>1,313,238</u>	<u>1,413,238</u>
Net change in fund balances	101,392	793,088	997,442
Fund Balance - January 1	<u>576,872</u>	<u>10,414,878</u>	<u>11,615,629</u>
Fund Balance - December 31	<u>\$ 678,264</u>	<u>\$ 11,207,966</u>	<u>\$ 12,613,071</u>

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Debt Service Fund	Permanent Fund Shoreline Sales	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 5,605,148	\$ -	\$ 6,249,148
Intergovernmental	987,379	-	5,878,179
Earnings on investments	259,893	574,974	842,559
Miscellaneous	169,017	-	169,473
Total Revenues	<u>7,021,437</u>	<u>574,974</u>	<u>13,139,359</u>
EXPENDITURES			
Current:			
Conservation of natural resources	-	64	1,597,567
Economic development	-	-	4,354,941
Debt service:			
Principal	5,422,200	-	5,428,091
Interest and other charges	1,986,879	-	1,987,288
Total expenditures	<u>7,409,079</u>	<u>64</u>	<u>13,367,887</u>
Excess (deficiency) of revenues over expenditures	<u>(387,642)</u>	<u>574,910</u>	<u>(228,528)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	461,700	-	2,450,424
Transfers out	-	(220,000)	(795,486)
Refunding bonds issued	7,845,000	-	7,845,000
Refunding bonds redeemed	(2,940,000)	-	(2,940,000)
Premium proceeds	87,863	-	87,863
Total other financing sources and uses	<u>5,454,563</u>	<u>(220,000)</u>	<u>6,647,801</u>
Net change in fund balances	5,066,921	354,910	6,419,273
Fund Balance - January 1	<u>4,820,996</u>	<u>6,382,517</u>	<u>22,819,142</u>
Fund Balance - December 31	<u>\$ 9,887,917</u>	<u>\$ 6,737,427</u>	<u>\$ 29,238,415</u>

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
HOUSING AND REDEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Original and Final Budgeted Amounts	Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
REVENUES			
Taxes	\$ 182,450	\$ 167,755	\$ (14,695)
Intergovernmental	-	241,388	241,388
Total Revenues	<u>182,450</u>	<u>409,143</u>	<u>226,693</u>
EXPENDITURES			
Economic development			
Personnel services	128,826	112,956	(15,870)
Other operating	<u>232,700</u>	<u>193,225</u>	<u>(39,475)</u>
Total Expenditures	<u>361,526</u>	<u>306,181</u>	<u>(55,345)</u>
Excess of Revenues Over (Under) Expenditures	(179,076)	102,962	282,038
Fund Balance - January 1	<u>623,879</u>	<u>623,879</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 444,803</u>	<u>\$ 726,841</u>	<u>\$ 282,038</u>

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 5,716,064	\$ 3,180,430	\$ 2,728,725	\$ (451,705)
EXPENDITURES				
Economic development				
Personal Services	-	53,577	53,577	-
Other operating	5,716,064	3,126,853	2,675,148	(451,705)
Total Expenditures	<u>5,716,064</u>	<u>3,180,430</u>	<u>2,728,725</u>	<u>(451,705)</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
NORTHEAST MINNESOTA HOUSING CONSORTIUM SPECIAL REVENUE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 2,485,120	\$ 1,365,054	\$ 1,319,784	\$ (45,270)
Miscellaneous	-	-	251	251
Total Revenues	<u>2,485,120</u>	<u>1,365,054</u>	<u>1,320,035</u>	<u>(45,019)</u>
 EXPENDITURES				
Economic development				
Other operating	<u>2,485,120</u>	<u>1,365,054</u>	<u>1,320,035</u>	<u>(45,019)</u>
Excess of Revenues Over (Under) Expenditures	-	-	-	-
Fund Balance - January 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SEPTIC LOAN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Earnings on investments	\$ -	\$ 7,000	\$ 7,692	\$ 692
EXPENDITURES				
Health and sanitation				
Debt Service				
Principal	-	5,891	5,891	-
Interest and other charges	-	409	409	-
Total Expenditures	-	6,300	6,300	-
Excess of Revenues Over (Under) Expenditures	-	700	1,392	692
OTHER FINANCING SOURCES (USES)				
Transfers In	-	100,000	100,000	-
Net change in fund balances	-	100,700	101,392	692
Fund Balance - January 1	576,872	576,872	576,872	-
Fund Balance - December 31	<u>\$ 576,872</u>	<u>\$ 677,572</u>	<u>\$ 678,264</u>	<u>\$ 692</u>

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOREST RESOURCES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 400,000	\$ 476,243	\$ 476,245	\$ 2
Intergovernmental	100,000	100,000	600,903	500,903
Miscellaneous	-	-	205	205
Total Revenues	<u>500,000</u>	<u>576,243</u>	<u>1,077,353</u>	<u>501,110</u>
EXPENDITURES				
Conservation of natural resources				
Other operating	<u>2,328,906</u>	<u>2,867,520</u>	<u>1,597,503</u>	<u>(1,270,017)</u>
Excess of Revenues Over (Under) Expenditures	(1,828,906)	(2,291,277)	(520,150)	1,771,127
OTHER FINANCING SOURCES (USES)				
Transfers in	-	1,888,724	1,888,724	-
Transfers out	<u>(555,486)</u>	<u>(575,486)</u>	<u>(575,486)</u>	<u>-</u>
Net change in fund balances	(2,384,392)	(978,039)	793,088	1,771,127
Fund Balance - January 1	<u>10,414,878</u>	<u>10,414,878</u>	<u>10,414,878</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 8,030,486</u>	<u>\$ 9,436,839</u>	<u>\$ 11,207,966</u>	<u>\$ 1,771,127</u>

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 5,741,556	\$ 5,620,938	\$ 5,605,148	\$ (15,790)
Intergovernmental	987,379	987,379	987,379	-
Earnings on investments	-	222,406	259,893	37,487
Miscellaneous	168,920	168,920	169,017	97
Total Revenues	6,897,855	6,999,643	7,021,437	21,794
EXPENDITURES				
Debt service				
Principal	5,527,200	5,422,200	5,422,200	-
Interest and fiscal charges	1,666,018	1,890,205	1,986,879	96,674
Total Expenditures	7,193,218	7,312,405	7,409,079	96,674
Excess of Revenues Over (Under) Expenditures	(295,363)	(312,762)	(387,642)	(74,880)
OTHER FINANCING SOURCES (USES)				
Transfers In	461,700	461,700	461,700	-
Refunding bonds issued	-	-	7,845,000	7,845,000
Refunding bonds redeemed	-	(2,940,000)	(2,940,000)	-
Premium proceeds	-	-	87,863	87,863
Total other financing sources (uses)	461,700	(2,478,300)	5,454,563	7,932,863
Net change in fund balances	166,337	(2,791,062)	5,066,921	7,857,983
Fund Balance - January 1	4,820,996	4,820,996	4,820,996	-
Fund Balance - December 31	\$ 4,987,333	\$ 2,029,934	\$ 9,887,917	\$ 7,857,983

NONMAJOR ENTERPRISE FUNDS

Community Foods - This fund is used to account for providing meals and for participants in various programs administered by the Social Services Department and other agencies.

Laundry - This fund is used to account for the costs of operating a laundry facility used by County departments and other agencies.

Supervised Living Facilities - This fund is used to account for services that enable elderly and/or handicapped individuals to maintain a degree of independence.

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2006

	Community Food	Laundry	Supervised Living Facilities	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 17,635	\$ 119,737	\$ 743,097	\$ 880,469
Accounts receivable (net)	92,630	35,515	3,228	131,373
Due from other governments	22,700	-	155,647	178,347
Inventories	16,638	42,088	-	58,726
Prepaid items	46,310	-	-	46,310
Total current assets	195,913	197,340	901,972	1,295,225
Capital assets:				
Buildings and structures	-	1,022,205	-	1,022,205
Machinery and equipment	27,650	322,808	9,000	359,458
Linens	-	198,290	-	198,290
Vehicles	-	45,709	-	45,709
Less accumulated depreciation	(461)	(844,494)	(7,200)	(852,155)
Total capital asset (net)	27,189	744,518	1,800	773,507
Total assets	223,102	941,858	903,772	2,068,732
LIABILITIES				
Current liabilities:				
Accounts payable	40,609	26,344	979	67,932
Salaries payable	26,280	16,991	27,366	70,637
Compensated absences payable	26,836	22,724	35,728	85,288
Due to other governments	-	932	-	932
Total current liabilities	93,725	66,991	64,073	224,789
Noncurrent liabilities:				
Compensated absences payable	146,515	114,983	244,180	505,678
Total liabilities	240,240	181,974	308,253	730,467
NET ASSETS				
Invested in capital assets, net of related debt	27,189	744,518	1,800	773,507
Unrestricted	(44,327)	15,366	593,719	564,758
Total net assets	\$ (17,138)	\$ 759,884	\$ 595,519	\$ 1,338,265

ST. LOUIS COUNTY, MINNESOTA
**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
NONMAJOR ENTERPRISE FUNDS**
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Community Food</u>	<u>Laundry</u>	<u>Supervised Living Facilities</u>	<u>Total</u>
Operating Revenues				
Charges for services	\$ 1,185,089	\$ 935,687	\$ 959,620	\$ 3,080,396
Other	3,280	4,015	3,728	11,023
Total Operating Revenues	<u>1,188,369</u>	<u>939,702</u>	<u>963,348</u>	<u>3,091,419</u>
Operating Expenses				
Personal services	642,065	604,012	806,673	2,052,750
Contractual services	220,296	291,574	265,924	777,794
Materials	373,300	73,429	11,750	458,479
Depreciation	461	10,417	900	11,778
Total Operating Expenses	<u>1,236,122</u>	<u>979,432</u>	<u>1,085,247</u>	<u>3,300,801</u>
Operating Income (Loss)	(47,753)	(39,730)	(121,899)	(209,382)
Transfer Out	<u>-</u>	<u>-</u>	<u>(288,581)</u>	<u>(288,581)</u>
Changes in net assets	(47,753)	(39,730)	(410,480)	(497,963)
Net assets - January 1	<u>30,615</u>	<u>799,614</u>	<u>1,005,999</u>	<u>1,836,228</u>
Net assets - December 31	<u>\$ (17,138)</u>	<u>\$ 759,884</u>	<u>\$ 595,519</u>	<u>\$ 1,338,265</u>

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Community		Supervised	Total
	Food	Laundry	Living Facilities	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,246,624	\$ 942,084	\$ 801,176	\$ 2,989,884
Receipts from interfund services provided	-	-	-	-
Payments to suppliers	(573,627)	(386,871)	(276,736)	(1,237,234)
Payments to employees	(658,781)	(623,176)	(675,191)	(1,957,148)
Other receipts (payments)	3,280	4,947	3,728	11,955
Net cash provided (used) by operating activities	<u>17,496</u>	<u>(63,016)</u>	<u>(147,023)</u>	<u>(192,543)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer to Public Health and Human Services Fund	-	-	(288,581)	(288,581)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Capital Assets	(27,650)			(27,650)
Disposal of capital assets	-	2,080	-	2,080
Net capital provided (used) by capital and related financing activities	<u>(27,650)</u>	<u>2,080</u>	<u>-</u>	<u>(25,570)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(10,154)	(60,936)	(435,604)	(506,694)
Balances - January 1	<u>27,789</u>	<u>180,673</u>	<u>1,178,701</u>	<u>1,387,163</u>
Balances - December 31	<u>\$ 17,635</u>	<u>\$ 119,737</u>	<u>\$ 743,097</u>	<u>\$ 880,469</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (47,753)	\$ (39,730)	\$ (121,899)	\$ (209,382)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	461	10,417	900	11,778
(Increase) Decrease Receivables, net	(4,121)	6,397	(2,797)	(521)
(Increase) Decrease Due from other governments	65,656	-	(155,647)	(89,991)
(Increase) Decrease Inventories	380	2,859	-	3,239
(Increase) Decrease Prepaid items	10,721	-	-	10,721
Increase (Decrease) Accounts payable	8,868	(24,727)	938	(14,921)
Increase (Decrease) Salaries payable	11,071	10,304	13,093	34,468
Increase (Decrease) Compensated absences payable	(27,787)	(29,468)	118,389	61,134
Increase (Decrease) Due to other governments	-	932	-	932
Total Adjustments	<u>65,249</u>	<u>(23,286)</u>	<u>(25,124)</u>	<u>16,839</u>
Net cash provided by operating activities	<u>\$ 17,496</u>	<u>\$ (63,016)</u>	<u>\$ (147,023)</u>	<u>\$ (192,543)</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for operations that are financed and operated in a manner similar to private business, with the intent that cost (expenses, including depreciation) of providing goods or services by specific departments within St. Louis County to other departments or agencies of St. Louis County or to other governments on a continuing basis be financed or recovered primarily through user charges.

Printing - This fund is used to account for providing office supplies, materials, printing, and postage to County departments.

County Garage - This fund is used to account for the costs of operating a maintenance facility for automotive equipment and a fleet of vehicles for use by County departments.

Property, Casualty, Liability Insurance - This fund is used to account for coverage of claims and judgments against the County.

Workers' Compensation Insurance - This fund is used to account for coverage of workers' compensation claims incurred by County employees.

Medical/Dental Insurance - This fund is used to account for coverage of medical and dental expenses incurred by County employees, dependents, and retirees.

Management Information Systems - This fund is used to account for computer services and programming services to County departments.

Telecommunications - This fund is used to account for the County communications system.

Retired Employees' Health Insurance - This fund is used to account for retirees insurance expenses paid by the retirees applicable sick leave balance at retirement.

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2006

	<u>Printing</u>	<u>County Garage</u>	<u>Property, Casualty, Liability Insurance</u>	<u>Workers' Compensation Insurance</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 323,835	\$ 549,019	\$ 552,393	\$ 542,978
Investments	-	-	7,158,807	4,500,000
Accounts receivable	24,100	1,965	2,161	-
Accrued interest receivable	-	-	123,395	108,182
Due from other governments	-	24	-	-
Inventories	119,753	37,517	-	-
Prepaid items	44,000	-	-	-
Total current assets	<u>511,688</u>	<u>588,525</u>	<u>7,836,756</u>	<u>5,151,160</u>
Capital assets:				
Land	-	25,500	-	-
Buildings and structures	-	778,730	-	-
Machinery and equipment	323,600	79,214	-	-
Vehicles	-	1,816,585	-	-
Less accumulated depreciation	<u>(266,975)</u>	<u>(1,546,201)</u>	<u>-</u>	<u>-</u>
Total capital asset (net)	<u>56,625</u>	<u>1,153,828</u>	<u>-</u>	<u>-</u>
Total assets	<u>568,313</u>	<u>1,742,353</u>	<u>7,836,756</u>	<u>5,151,160</u>
LIABILITIES				
Current liabilities:				
Accounts payable	16,851	42,704	-	118,632
Salaries payable	3,750	12,890	-	-
Compensated absences payable	6,277	24,743	-	-
Claims payable	-	-	-	718,064
Due to other governments	-	-	-	111,598
Unearned revenue	-	-	-	-
Total current liabilities	<u>26,878</u>	<u>80,337</u>	<u>-</u>	<u>948,294</u>
Noncurrent liabilities:				
Compensated absences payable	66,818	81,238	-	-
Claims payable	-	-	138,147	2,990,458
Total non-current liabilities	<u>66,818</u>	<u>81,238</u>	<u>138,147</u>	<u>2,990,458</u>
Total liabilities	<u>93,696</u>	<u>161,575</u>	<u>138,147</u>	<u>3,938,752</u>
NET ASSETS				
Invested in capital assets	56,625	1,153,828	-	-
Unrestricted	<u>417,992</u>	<u>426,950</u>	<u>7,698,609</u>	<u>1,212,408</u>
Total net assets	<u>\$ 474,617</u>	<u>\$ 1,580,778</u>	<u>\$ 7,698,609</u>	<u>\$ 1,212,408</u>

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2006

	<u>Medical/ Dental Insurance</u>	<u>Management Information Systems</u>	<u>Telecommu- nications</u>	<u>Retired Employees' Health Insurance</u>	<u>Total</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 661,992	\$ 2,490,383	\$ 1,157,082	\$ 1,084,549	\$ 7,362,231
Investments	8,664,064	-	-	-	20,322,871
Accounts receivable	675,000	1,550	-	-	704,776
Accrued interest receivable	59,464	-	-	-	291,041
Due from other governments	-	17,866	-	-	17,890
Inventories	-	9,590	28,000	-	194,860
Prepaid items	-	-	-	-	44,000
Total current assets	<u>10,060,520</u>	<u>2,519,389</u>	<u>1,185,082</u>	<u>1,084,549</u>	<u>28,937,669</u>
Capital assets:					
Land	-	-	-	-	25,500
Buildings and structures	-	55,506	-	-	834,236
Machinery and equipment	-	2,853,715	2,662,018	-	5,918,547
Vehicles	-	-	-	-	1,816,585
Less accumulated depreciation	-	<u>(2,503,119)</u>	<u>(2,513,564)</u>	-	<u>(6,829,859)</u>
Total capital asset (net)	-	<u>406,102</u>	<u>148,454</u>	-	<u>1,765,009</u>
Total assets	<u>10,060,520</u>	<u>2,925,491</u>	<u>1,333,536</u>	<u>1,084,549</u>	<u>30,702,678</u>
LIABILITIES					
Current liabilities:					
Accounts payable	-	363,698	72,605	-	614,490
Salaries payable	-	91,024	11,267	-	118,931
Compensated absences payable	-	137,781	17,899	545,307	732,007
Claims payable	2,119,006	-	-	-	2,837,070
Due to other governments	-	-	-	-	111,598
Unearned revenue	<u>686,856</u>	-	-	-	<u>686,856</u>
Total current liabilities	<u>2,805,862</u>	<u>592,503</u>	<u>101,771</u>	<u>545,307</u>	<u>5,100,952</u>
Noncurrent liabilities:					
Compensated absences payable	-	846,893	85,178	539,242	1,619,369
Claims payable	-	-	-	-	3,128,605
Total non-current liabilities	-	<u>846,893</u>	<u>85,178</u>	<u>539,242</u>	<u>4,747,974</u>
Total liabilities	<u>2,805,862</u>	<u>1,439,396</u>	<u>186,949</u>	<u>1,084,549</u>	<u>9,848,926</u>
NET ASSETS					
Invested in capital assets	-	406,102	148,454	-	1,765,009
Unrestricted	<u>7,254,658</u>	<u>1,079,993</u>	<u>998,133</u>	-	<u>19,088,743</u>
Total net assets	<u>\$ 7,254,658</u>	<u>\$ 1,486,095</u>	<u>\$ 1,146,587</u>	<u>\$ -</u>	<u>\$ 20,853,752</u>

ST. LOUIS COUNTY, MINNESOTA
**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Printing	County Garage	Property, Casualty, Liability Insurance	Workers' Compensation Insurance
Operating Revenues:				
Charges for services	\$ 1,715,211	\$ 1,937,260	\$ 504,845	\$ 3,200,000
Other	3,652	10,660	6,422	558,523
Total Operating Revenues	1,718,863	1,947,920	511,267	3,758,523
 Operating Expenses:				
Personal services	128,385	492,462	-	-
Contractual services	948,974	316,298	212,675	1,973,774
Materials	465,924	789,920	-	-
Depreciation	6,827	200,689	-	-
Total Operating Expenses	1,550,110	1,799,369	212,675	1,973,774
 Operating Income (Loss)	168,753	148,551	298,592	1,784,749
 Nonoperating revenues (expenses):				
Earnings on investments	-	-	321,551	187,765
Loss or gain on asset disposal	(15,955)	(12,234)	-	-
 Total Nonoperating Revenues (Expenses)	(15,955)	(12,234)	321,551	187,765
 Changes in net assets	152,798	136,317	620,143	1,972,514
 Net assets - January 1	321,819	1,444,461	7,078,466	(760,106)
 Net assets - December 31	\$ 474,617	\$ 1,580,778	\$ 7,698,609	\$ 1,212,408

ST. LOUIS COUNTY, MINNESOTA
**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS**
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Medical/ Dental Insurance</u>	<u>Management Information Systems</u>	<u>Telecommu- nications</u>	<u>Retired Employees' Health Insurance</u>	<u>Total</u>
Operating Revenues:					
Charges for services	\$ 25,087,682	\$ 3,910,552	\$ 1,150,688	\$ 185,386	\$ 37,691,624
Other	-	963,520	4,426	-	1,547,203
Total Operating Revenues	<u>25,087,682</u>	<u>4,874,072</u>	<u>1,155,114</u>	<u>185,386</u>	<u>39,238,827</u>
Operating Expenses:					
Personal services	-	2,707,631	362,146	-	3,690,624
Contractual services	24,419,445	1,907,713	608,590	185,386	30,572,855
Materials	-	303,818	149,972	-	1,709,634
Depreciation	-	92,565	81,456	-	381,537
Total Operating Expenses	<u>24,419,445</u>	<u>5,011,727</u>	<u>1,202,164</u>	<u>185,386</u>	<u>36,354,650</u>
Operating Income (Loss)	<u>668,237</u>	<u>(137,655)</u>	<u>(47,050)</u>	<u>-</u>	<u>2,884,177</u>
Nonoperating revenues (expenses):					
Earnings on investments	418,177	-	-	-	927,493
Loss or gain on asset disposal	-	-	(4,818)	-	(33,007)
Total Nonoperating Revenues (Expenses)	<u>418,177</u>	<u>-</u>	<u>(4,818)</u>	<u>-</u>	<u>894,486</u>
Changes in net assets	1,086,414	(137,655)	(51,868)	-	3,778,663
Net assets - January 1	<u>6,168,244</u>	<u>1,623,750</u>	<u>1,198,455</u>	<u>-</u>	<u>17,075,089</u>
Net assets - December 31	<u>\$ 7,254,658</u>	<u>\$ 1,486,095</u>	<u>\$ 1,146,587</u>	<u>\$ -</u>	<u>\$ 20,853,752</u>

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Printing	County Garage	Property, Casualty, Liability Insurance	Workers' Compensation Insurance
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 172,352	\$ -	\$ -	\$ -
Receipts from interfund services provided	1,528,389	1,938,205	504,040	3,200,036
Payments to suppliers	(1,469,822)	(1,088,412)	-	23,375
Payments to employees	(124,421)	(528,688)	-	-
Claims paid	-	-	(181,183)	(3,123,352)
Other receipts (payments)	3,652	10,660	6,422	578,422
Net cash provided (used) by operating activities	110,150	331,765	329,279	678,481
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of capital assets	-	(257,154)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	(8,186,093)	(4,289,703)
Sale of investments	-	-	7,527,256	3,189,703
Interest and dividends	-	-	257,734	125,106
Net Cash Provided by Investing Activities	-	-	(401,103)	(974,894)
Net Increase (Decrease) in Cash and Cash Equivalents	110,150	74,611	(71,824)	(296,413)
Balances - January 1	213,685	474,408	624,217	839,391
Balances - December 31	\$ 323,835	\$ 549,019	\$ 552,393	\$ 542,978
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 168,753	\$ 148,551	\$ 298,592	\$ 1,784,749
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	6,827	200,689	(805)	-
(Increase) Decrease Receivables, net	(20,066)	(257)	-	36
(Increase) Decrease Due from other governments	5,596	1,202	-	-
(Increase) Decrease Inventories	(20,206)	21,830	-	-
(Increase) Decrease Prepaid items	(44,000)	-	-	-
Increase (Decrease) Accounts payable	9,282	(4,024)	-	23,375
Increase (Decrease) Salaries payable	1,792	6,075	-	-
Increase (Decrease) Compensated absences payable	2,172	(42,301)	-	-
Increase (Decrease) Claims payable	-	-	31,492	(1,149,578)
Increase (Decrease) Due to other governments	-	-	-	19,899
Increase (Decrease) Deferred Revenue	-	-	-	-
Total Adjustments	(58,603)	183,214	30,687	(1,106,268)
Net cash provided by operating activities	\$ 110,150	\$ 331,765	\$ 329,279	\$ 678,481
NON-CASH ACTIVITIES				
Change in fair market value of investments	\$ -	\$ -	\$ (403)	\$ (17)

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Medical/ Dental Insurance	Management Information Systems	Telecommu- nications	Retired Employees' Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ -	\$ 137,102	\$ 4,426	\$ -	\$ 313,880
Receipts from interfund services provided	24,970,045	3,804,158	1,150,697	185,386	37,280,956
Payments to suppliers	(6,001)	(1,869,588)	(781,982)	-	(5,192,430)
Payments to employees	-	(2,740,539)	(346,158)	(735,111)	(4,474,917)
Claims paid	(24,395,948)	-	-	-	(27,700,483)
Other receipts (payments)	-	963,520	-	-	1,562,676
Net cash provided (used) by operating activities	<u>568,096</u>	<u>294,653</u>	<u>26,983</u>	<u>(549,725)</u>	<u>1,789,682</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	-	(255,054)	(60,384)	-	(572,592)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(25,885,664)	-	-	-	(38,361,460)
Sale of investments	24,822,002	-	-	-	35,538,961
Interest and dividends	326,280	-	-	-	709,120
Net Cash Provided by Investing Activities	<u>(737,382)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,113,379)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(169,286)	39,599	(33,401)	(549,725)	(896,289)
Balances - January 1	831,278	2,450,784	1,190,483	1,634,274	8,258,520
Balances - December 31	<u>\$ 661,992</u>	<u>\$ 2,490,383</u>	<u>\$ 1,157,082</u>	<u>\$ 1,084,549</u>	<u>\$ 7,362,231</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 668,237	\$ (137,655)	\$ (47,050)	\$ -	\$ 2,884,177
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	-	92,565	81,456	-	380,732
(Increase) Decrease Receivables, net	(98,754)	71	9	-	(118,961)
(Increase) Decrease Due from other governments	-	30,637	(1,000)	-	36,435
(Increase) Decrease Inventories	-	301	-	-	1,925
(Increase) Decrease Prepaid items	-	-	-	-	(44,000)
Increase (Decrease) Accounts payable	(6,001)	341,642	(22,420)	-	341,854
Increase (Decrease) Salaries payable	-	42,359	5,949	-	56,175
Increase (Decrease) Compensated absences payable	-	(75,267)	10,039	(549,725)	(655,082)
Increase (Decrease) Claims payable	23,497	-	-	-	(1,094,589)
Increase (Decrease) Due to other governments	-	-	-	-	19,899
Increase (Decrease) Deferred Revenue	(18,883)	-	-	-	(18,883)
Total Adjustments	<u>(100,141)</u>	<u>432,308</u>	<u>74,033</u>	<u>(549,725)</u>	<u>(1,094,495)</u>
Net cash provided by operating activities	<u>\$ 568,096</u>	<u>\$ 294,653</u>	<u>\$ 26,983</u>	<u>\$ (549,725)</u>	<u>\$ 1,789,682</u>
NON-CASH ACTIVITIES					
Change in fair market value of investments	\$ (5,138)	\$ -	\$ -	\$ -	\$ (5,558)

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

Investment Trust Funds

Taconite Relief - This fund is used to account for the tax imposed by Minn. Stat. 298.015 as an individual investment account for the State of Minnesota.

Taconite Production Tax -This fund is used to account for the tax imposed by Minn. Stat. 298.24 as an individual investment account for the State of Minnesota.

AGENCY FUNDS

State of Minnesota - This fund is used to account for the receipt and disbursement of monies for which St. Louis County is the collection agent for the State.

Beer-Auctioneer Licenses - This fund is used to account for the funds collected from the sale of intoxicating beer and auctioneer licenses by the County and payments to the County and State of Minnesota for these licenses.

Taxes and Penalties - This fund is used to account for the collection and payment of taxes, penalties, and special assessment collections to the various County funds and taxing districts.

Payroll Deductions - This fund is used to account for the accumulation of funds from payroll deductions charged to all operating funds. Payment by a single check is made to the state and federal governments for tax deductions, and to any other organization for deductions not covered in another agency fund.

Series EE Savings Bond - This fund is used to account for the purchase of U.S. Savings Bonds, Series EE, by County employees through payroll deductions. Individual employees' payroll deductions accumulate in this fund until sufficient funds are available to purchase the requested U.S. Savings Bond, Series EE.

Canceled Check - This fund is used to account for checks issued by St. Louis County but not cashed by the payee. The checks are canceled and the money is held as unclaimed funds.

High Voltage Credit - This fund is used to account for the collection of power line property tax credit which is then distributed to property owners, with any excess going to the School Fund pursuant to Minn. Stat. 273.42.

AGENCY FUNDS Continued

Arrowhead Regional Corrections - This fund is used to account for transactions related to the Arrowhead Regional Corrections operation which contracts with St. Louis County for accounting services.

Permit to Carry Firearms - This fund is used to account for fees collected for the sale of permits to carry firearms.

Community Health Services - This fund is used to account for the transactions related to the Community Health Services Board.

Duluth Area Family Services Collaborative - This fund is used to account for the financial transactions of the Duluth Area Family Services Collaborative for whom the County is the fiscal agent.

Local Collaborative Time Study - This fund is used to account for the time study funds received from the State to be remitted to the local collaboratives as requested.

Regional Railroad Authority - This fund is used to account for the financial transactions of the Regional Railroad Authority for whom the County is the fiscal agent.

Northern Counties Land Use Board - This fund is used to account for the financial transactions of the Northern Counties Land Use Board for whom the County is the fiscal agent.

Agency Miscellaneous - This fund is used to account for the activities not accounted for in another agency fund.

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006

	Investment Trust Funds		
	Taconite Relief	Taconite Production Tax	Total
ASSETS			
Cash and cash equivalents	\$ 23,829	\$ 58	\$ 23,887
Investments	31,065,552	1,363,117	32,428,669
Accrued interest receivable	753,955	24,894	778,849
Total Assets	31,843,336	1,388,069	33,231,405
LIABILITIES AND FUND BALANCE			
Liabilities			
Due to other governments	-	1,388,069	1,388,069
Total Liabilities	-	1,388,069	1,388,069
NET ASSETS			
Held in trust for pool participants and other purposes	\$ 31,843,336	\$ -	\$ 31,843,336

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	Investment Trust Funds		
	Taconite Relief	Taconite Production Tax	Total
ADDITIONS			
Taconite taxes	\$ 14,449,177	\$ 34,608,882	\$ 49,058,059
Earnings on investments	1,477,506	103,181	1,580,687
Total Additions	15,926,683	34,712,063	50,638,746
DEDUCTIONS			
Distribution to participants	11,400,696	34,712,063	46,112,759
Changes in net assets	4,525,987	-	4,525,987
Net assets - January 1	27,317,349	-	27,317,349
Net assets - December 31	\$ 31,843,336	\$ -	\$ 31,843,336

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
STATE OF MINNESOTA FUND				
ASSETS				
Cash and cash equivalents	\$ 12,263	\$ 19,749,473	\$ 19,407,581	\$ 354,155
Due from other governments	724,291	3,799,198	4,269,090	254,399
Total Assets	<u>\$ 736,554</u>	<u>\$ 23,548,671</u>	<u>\$ 23,676,671</u>	<u>\$ 608,554</u>
LIABILITIES				
Salaries payable	\$ 78,927	\$ 3,794,022	\$ 3,809,720	\$ 63,229
Due to other governments	657,627	19,754,649	19,866,951	545,325
Total Liabilities	<u>\$ 736,554</u>	<u>\$ 23,548,671</u>	<u>\$ 23,676,671</u>	<u>\$ 608,554</u>
 BEER-AUCTIONEER LICENSES FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 2,775</u>	<u>\$ 2,731</u>	<u>\$ 2,775</u>	<u>\$ 2,731</u>
LIABILITIES				
Due to other governments	<u>\$ 2,775</u>	<u>\$ 2,731</u>	<u>\$ 2,775</u>	<u>\$ 2,731</u>
 TAXES AND PENALTIES FUND				
ASSETS				
Cash and cash equivalents	\$ 2,830,068	\$ 247,033,740	\$ 245,405,569	\$ 4,458,239
Due from other governments	186,880	142,594	186,880	142,594
Total Assets	<u>\$ 3,016,948</u>	<u>\$ 247,176,334</u>	<u>\$ 245,592,449</u>	<u>\$ 4,600,833</u>
LIABILITIES				
Due to other governments	<u>\$ 3,016,948</u>	<u>\$ 247,176,334</u>	<u>\$ 245,592,449</u>	<u>\$ 4,600,833</u>
 PAYROLL DEDUCTIONS FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 1,833,762</u>	<u>\$ 47,109,100</u>	<u>\$ 47,090,138</u>	<u>\$ 1,852,724</u>
LIABILITIES				
Accounts payable	<u>\$ 1,833,762</u>	<u>\$ 47,109,100</u>	<u>\$ 47,090,138</u>	<u>\$ 1,852,724</u>
 SERIES EE SAVINGS BOND FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 301</u>	<u>\$ 76,388</u>	<u>\$ 74,791</u>	<u>\$ 1,898</u>
LIABILITIES				
Due to other governments	<u>\$ 301</u>	<u>\$ 76,388</u>	<u>\$ 74,791</u>	<u>\$ 1,898</u>

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
CANCELED CHECK FUND				
ASSETS				
Cash and cash equivalents	\$ 92,576	\$ 12,320	\$ 53,684	\$ 51,212
LIABILITIES				
Accounts payable	\$ 92,576	\$ 12,320	\$ 53,684	\$ 51,212
HIGH VOLTAGE CREDIT FUND				
ASSETS				
Cash and cash equivalents	\$ 46,647	\$ 46,736	\$ 46,647	\$ 46,736
LIABILITIES				
Due to other governments	\$ 46,647	\$ 46,736	\$ 46,647	\$ 46,736
ARROWHEAD REGIONAL CORRECTIONS FUND				
ASSETS				
Cash and cash equivalents	\$ 4,196,539	\$ 19,964,791	\$ 21,040,916	\$ 3,120,414
Investments	-	1,400,039	-	1,400,039
Accounts receivable	25,257	59,881	25,257	59,881
Due from other governments	791,122	1,104,256	791,122	1,104,256
Total Assets	<u>\$ 5,012,918</u>	<u>\$ 22,528,967</u>	<u>\$ 21,857,295</u>	<u>\$ 5,684,590</u>
LIABILITIES				
Accounts payable	\$ 339,386	\$ 2,856,358	\$ 2,968,617	\$ 227,127
Salaries payable	218,611	551,117	218,611	551,117
Due to other governments	4,454,921	19,121,492	18,670,067	4,906,346
Total Liabilities	<u>\$ 5,012,918</u>	<u>\$ 22,528,967</u>	<u>\$ 21,857,295</u>	<u>\$ 5,684,590</u>
PERMIT TO CARRY FIREARMS FUND				
ASSETS				
Cash and cash equivalents	\$ 84,074	\$ 80,148	\$ 54,720	\$ 109,502
LIABILITIES				
Due to other governments	\$ 84,074	\$ 80,148	\$ 54,720	\$ 109,502

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
COMMUNITY HEALTH SERVICES FUND				
ASSETS				
Cash and cash equivalents	\$ 353,729	\$ 3,461,916	\$ 3,456,824	\$ 358,821
Due from other governments	221,074	200,315	221,074	200,315
Total Assets	<u>\$ 574,803</u>	<u>\$ 3,662,231</u>	<u>\$ 3,677,898</u>	<u>\$ 559,136</u>
LIABILITIES				
Salaries payable	\$ 2,308	\$ 3,645	\$ 2,308	\$ 3,645
Due to other governments	572,495	3,658,586	3,675,590	555,491
Total Liabilities	<u>\$ 574,803</u>	<u>\$ 3,662,231</u>	<u>\$ 3,677,898</u>	<u>\$ 559,136</u>
 DULUTH AREA FAMILY SERVICE COLLABORATIVE FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 58,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,834</u>
LIABILITIES				
Due to other governments	<u>\$ 58,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,834</u>
 LOCAL COLLABORATIVE TIME STUDY FUND				
ASSETS				
Cash and cash equivalents	<u>\$ 1,475,710</u>	<u>\$ 746,924</u>	<u>\$ 909,807</u>	<u>\$ 1,312,827</u>
LIABILITIES				
Accounts payable	\$ 26,852	\$ 27,196	\$ 26,852	\$ 27,196
Due to other governments	1,448,858	719,728	882,955	1,285,631
Total Liabilities	<u>\$ 1,475,710</u>	<u>\$ 746,924</u>	<u>\$ 909,807</u>	<u>\$ 1,312,827</u>
 REGIONAL RAILROAD AUTHORITY FUND				
ASSETS				
Cash and cash equivalents	\$ 1,043,791	\$ 1,560,790	\$ 1,727,265	\$ 877,316
Delinquent taxes receivable	29,509	44,051	29,509	44,051
Due from other governments	308,580	146,520	308,580	146,520
Total Assets	<u>\$ 1,381,880</u>	<u>\$ 1,751,361</u>	<u>\$ 2,065,354</u>	<u>\$ 1,067,887</u>
LIABILITIES				
Accounts payable	\$ 326,571	\$ 1,363,694	\$ 1,589,962	\$ 100,303
Salaries payable	2,686	2,782	2,686	2,782
Due to other governments	1,052,623	384,885	472,706	964,802
Total Liabilities	<u>\$ 1,381,880</u>	<u>\$ 1,751,361</u>	<u>\$ 2,065,354</u>	<u>\$ 1,067,887</u>

ST. LOUIS COUNTY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
NORTHERN COUNTIES				
LAND USE BOARD FUND				
ASSETS				
Cash and cash equivalents	\$ 57,251	\$ 23,750	\$ 5,464	\$ 75,537
LIABILITIES				
Due to other governments	\$ 57,251	\$ 23,750	\$ 5,464	\$ 75,537
AGENCY MISCELLANEOUS FUND				
ASSETS				
Cash and cash equivalents	\$ 2,443	\$ 23,478	\$ 23,478	\$ 2,443
LIABILITIES				
Due to other governments	\$ 2,443	\$ 23,478	\$ 23,478	\$ 2,443
TOTALS FOR ALL AGENCY FUNDS				
ASSETS				
Cash and cash equivalents	\$ 12,090,763	\$ 339,892,285	\$ 339,299,659	\$ 12,683,389
Investments	-	1,400,039	-	1,400,039
Delinquent taxes receivable	29,509	44,051	29,509	44,051
Accounts receivable	25,257	59,881	25,257	59,881
Due from other governments	2,231,947	5,392,883	5,776,746	1,848,084
Total Assets	<u>\$ 14,377,476</u>	<u>\$ 346,789,139</u>	<u>\$ 345,131,171</u>	<u>\$ 16,035,444</u>
LIABILITIES				
Accounts payable	\$ 2,619,147	\$ 51,368,668	\$ 51,729,253	\$ 2,258,562
Salaries payable	302,532	4,351,566	4,033,325	620,773
Due to other governments	11,455,797	291,068,905	289,368,593	13,156,109
Total Liabilities	<u>\$ 14,377,476</u>	<u>\$ 346,789,139</u>	<u>\$ 345,131,171</u>	<u>\$ 16,035,444</u>

Miscellaneous Schedules

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INVESTMENTS AND INTEREST EARNING DEPOSITS
 DECEMBER 31, 2006

	<u>Interest Rates</u>	<u>Par Value</u>	<u>Market</u>
Pooled Investments			
Money market savings account	1.74%	\$ 143,297	\$ 143,297
Certificates of Deposit	4.00% - 5.73%	32,600,932	32,600,932
Commercial Paper	5.23% - 5.29%	51,538,000	51,226,086
MAGIC	varies	4,160,012	4,160,012
FHLB	2.75% - 5.60%	22,015,000	21,967,834
FHLMC	3.75% - 5.34%	4,840,000	4,793,013
FNMA	4.25% - 5.25%	4,000,000	3,932,459
Total Pooled Investments		<u>\$ 119,297,241</u>	<u>\$ 118,823,633</u>
Capital Projects			
MAGIC	Varies	<u>\$ 8,979,051</u>	<u>\$ 8,979,051</u>
Shoreland Sales Permanent Fund			
MN Board of Investments	Varies	<u>\$ 5,866,313</u>	<u>\$ 6,200,056</u>
Solid Waste Management Enterprise Fund			
Certificates of Deposit	4.83% - 5.30%	\$ 9,662,357	\$ 9,662,357
FHLB	4.42% - 5.55%	4,200,000	4,197,701
FHLMC	2.85%	1,400,000	1,395,632
FNMA	4.94%	1,000,000	996,692
Total Solid Waste Management Enterprise Fund		<u>\$ 16,262,357</u>	<u>\$ 16,252,382</u>
Property, Casualty, Liability Insurance Internal Service Fund			
Certificates of Deposit	4.75% - 5.40%	\$ 6,509,210	\$ 6,509,210
FHLB	2.20%	650,000	649,597
Total Property, Casualty, Liability Insurance Internal Service Fund		<u>\$ 7,159,210</u>	<u>\$ 7,158,807</u>
Worker's Compensation Insurance Internal Service Fund			
Certificates of Deposit	4.62% - 5.21%	\$ 3,600,000	\$ 3,600,000
FNMA	4.75%	900,000	900,000
Total Workers' Compensation Insurance Internal Service Fund		<u>\$ 4,500,000</u>	<u>\$ 4,500,000</u>
Medical/Dental Insurance Internal Service Fund			
Certificates of Deposit	5.24%	\$ 1,300,000	\$ 1,300,000
Commercial Paper	5.25% - 5.30%	2,200,000	2,185,318
FHLB	5.60%	2,000,000	2,002,483
FHLMC	2.20% - 3.40%	3,200,000	3,176,263
Total Medical/Dental Insurance Internal Service Fund		<u>\$ 8,700,000</u>	<u>\$ 8,664,064</u>
Patients' Escrow Trust Fund			
Certificates of Deposit	4.90% - 5.20%	<u>\$ 41,532</u>	<u>\$ 41,532</u>
Taconite Relief Investment Trust Fund			
Certificate of Deposit	3.92% - 5.30%	\$ 15,590,381	\$ 15,590,381
FHLB	3.20% - 5.32%	15,525,000	15,475,171
Total Taconite Relief Investment Trust Fund		<u>\$ 31,115,381</u>	<u>\$ 31,065,552</u>
Taconite Production Investment Trust Fund			
Certificate of Deposit	5.23%	<u>\$ 1,363,117</u>	<u>\$ 1,363,117</u>
Arrowhead Regional Corrections Agency Fund			
Certificate of deposit	4.89%	<u>\$ 1,400,039</u>	<u>\$ 1,400,039</u>
Total Investments		<u>\$ 204,684,241</u>	<u>\$ 204,448,233</u>

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Special Revenue Funds			
	General Fund	Road and Bridge	Social Services	Other
Shared revenue				
State				
Department of Natural Resources				
Mineral rents and royalties	\$ 321,606	\$ -	\$ -	\$ -
State acquired	1,271	651	978	13
Department of Public Safety				
Enhanced 911 program grant	346,502	-	-	-
Department of Revenue				
County program aid	9,306,070	863,121	1,278,951	-
Disparity aid	2,159,093	1,127,590	1,693,332	-
Market value credit	3,183,931	1,660,970	2,469,630	15,137
PERA aid	126,436	91,921	167,766	16,141
Police aid	576,949	-	-	-
State fire aid	12,270	-	-	-
Department of Transportation				
30 percent rental income	249	132	199	-
Engineering	-	2,670,811	-	-
Municipal construction	-	995,603	-	-
Municipal maintenance	-	636,766	-	-
Regular construction	-	5,512,629	-	-
Regular maintenance	-	7,389,556	-	-
Right of way / utility reimbursement	-	1,528,078	-	-
State park	-	1,317	-	-
Unorganized town road and bridge aid	-	15,167	-	-
Total Shared Revenue	\$ 16,034,377	\$ 22,494,312	\$ 5,610,856	\$ 31,291
Reimbursement for Services				
State				
Department of Human Services				
Child support	\$ 134,568	\$ -	\$ 3,236,030	\$ -
Child welfare targeted case management	-	-	2,818,957	-
Child welfare targeted case management - Rebate	-	-	144,624	-
Community alternatives for disabled individuals				
waivered services	-	-	758,044	-
Crisis stabilization	-	-	48,035	-
Elderly waived services	-	-	465,156	-
Food stamps	79,933	-	1,240,046	-
Foster care	5,459	-	252,569	-
LTCC waived services	-	-	13,933	-
Medical assistance	137,280	-	6,514,813	-
Mentally ill case management waived services	-	-	789,792	-
Mentally retarded waived services	-	-	1,078,495	-
Refugee	113	-	1,893	-
Relocation waived services	-	-	9,827	-
Traumatic brain injury	-	-	98,338	-
Temporary aid for needy families	24,593	-	384,155	-
VADD targeted case management	-	-	80,235	-
Total Reimbursement for Services Revenue	\$ 381,946	\$ -	\$ 17,934,942	\$ -
Grants				
State grants				
Board of Water and Soil Resources				
Lake Vermillion challenge	\$ -	\$ -	\$ -	\$ 226,238
Natural resources block grant	123,862	-	-	-
Department of Environmental Assistance				
SCORE recycling grant	-	-	-	-
Department of Finance				
Forest road access	-	-	-	164,903
Department of Health				
Health Preparedness Pandemic Flu grant	-	-	53,035	-
Local public health grant	-	-	808,516	-
Subtotal	\$ 123,862	\$ -	\$ 861,551	\$ 391,141

ST. LOUIS COUNTY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
 FOR THE YEAR ENDED DECEMBER 31, 2006

	Debt Service Funds	Buildings Capital Projects Fund	Solid Waste Management Enterprise Fund	Total
Shared revenue				
State				
Department of Natural Resources				
Mineral rents and royalties	\$ -	\$ -	\$ -	\$ 321,606
State acquisition	232	41	-	3,186
Department of Public Safety				
Enhanced 911 program grant	-	-	-	346,502
Department of Revenue				
County program aid	-	52,024	-	11,500,166
Disparity aid	401,514	70,661	-	5,452,190
Market value credit	585,586	103,056	-	8,018,310
PERA aid	-	-	12,675	414,939
Police aid	-	-	-	576,949
State fire aid	-	-	-	12,270
Department of Transportation				
30 percent rental income	47	8	-	635
Engineering	-	-	-	2,670,811
Municipal construction	-	-	-	995,603
Municipal maintenance	-	-	-	636,766
Regular construction	-	-	-	5,512,629
Regular maintenance	-	-	-	7,389,556
Right of way / utility reimbursement	-	-	-	1,528,078
State park	-	-	-	1,317
Unorganized town road and bridge aid	-	-	-	15,167
Total Shared Revenue	\$ 987,379	\$ 225,790	\$ 12,675	\$ 45,396,680
Reimbursement for Services				
State				
Department of Human Services				
Child support	\$ -	\$ -	\$ -	\$ 3,370,598
Child welfare targeted case management	-	-	-	2,818,957
Child welfare targeted case management - Rebate	-	-	-	144,624
Community alternatives for disabled individuals waivered services	-	-	-	758,044
Crisis stabilization	-	-	-	48,035
Elderly waived services	-	-	-	465,156
Food stamps	-	-	-	1,319,979
Foster care	-	-	-	258,028
LTCC waived services	-	-	-	13,933
Medical assistance	-	-	-	6,652,093
Mentally ill case management waived services	-	-	-	789,792
Mentally retarded waived services	-	-	-	1,078,495
Refugee	-	-	-	2,006
Relocation waived services	-	-	-	9,827
Traumatic brain injury	-	-	-	98,338
Temporary aid for needy families	-	-	-	408,748
VADD targeted case management	-	-	-	80,235
Total Reimbursement for Services Revenue	\$ -	\$ -	\$ -	\$ 18,316,888
Grants				
State grants				
Board of Water and Soil Resources				
Lake Vermillion Challenge	\$ -	\$ -	\$ -	\$ 226,238
Natural resources block grant	-	-	-	123,862
Department of Environmental Assistance				
SCORE recycling grant	-	-	441,371	441,371
Department of Finance				
Forest road access	-	-	-	164,903
Department of Health				
Health Preparedness Pandemic Flu grant	-	-	-	53,035
Local public health grant	-	-	-	808,516
Subtotal	\$ -	\$ -	\$ 441,371	\$ 1,817,925

Special Revenue Funds

	General Fund	Road and Bridge	Social Services	Other
Grants (continued)				
State grants (continued)				
Department of Human Services				
Adult integrated fund	\$ -	\$ -	\$ 2,964,956	\$ -
Alternative Response	-	-	246,212	-
Chemical dependency	-	-	118,036	-
Child care resource and referral	-	-	25,865	-
Child support incentives	-	-	219,807	-
Children's mental health	-	-	216,949	-
Community Social Services Act block grant	-	-	3,827,236	-
Consolidated chemical dependency fund admin	-	-	85,792	-
Food stamps	-	-	439	-
Forgotten children	-	-	3,674	-
Fraud prevention incentives	-	-	119,518	-
Home Delivered Meals	-	-	12,835	-
Homeless Outreach	-	-	1,124,250	-
Medical assistance	-	-	489,501	-
Mentally retarded family subsidy	-	-	143,408	-
MN family investment project employment services	-	-	270,072	-
MN family investment project child care	-	-	86,046	-
Relative custody	-	-	449,695	-
Semi-independent living skills	-	-	411,981	-
Special medical assistance	24,375	-	-	-
Department of Minnesota Housing Finance				
Family homelessness prevention and assistance program	282,248	-	-	-
Department of Natural Resources				
County forest restoration grant	-	-	-	436,000
State trail assistance	355,086	-	-	-
Department of Post Board Training				
Training reimbursement	32,382	-	-	-
Department of Public Safety				
Bullet proof vests	14,480	-	-	-
Influenza Pandemic grant	2,067	-	-	-
Victim emergency fund	1,000	-	-	-
Total State Grants	\$ 835,500	\$ -	\$ 11,677,823	\$ 827,141

Grants (continued)

Federal grants

Department of Agriculture				
Food stamps	\$ -	\$ -	\$ 77,628	\$ -
National forest land	510,000	-	-	-
National forest land - roads and schools	-	141,767	-	-
Women, infants and children (through Community Health Board)	-	-	464,026	-
Department of Commerce				
Coastal zone management administration awards	35,690	32,277	-	-
Department of Election Assistance Commission				
Help America Vote Act	1,298,929	-	-	-
Department of Health & Human Services				
Adult integrated fund	-	-	66,439	-
Bioterrorism	-	-	218,161	-
Chemically dependency	-	-	64,101	-
Child care	-	-	133,053	-
Child care resource and referral	-	-	85,755	-
Children's mental health	-	-	41,782	-
Foster care	-	-	339,138	-
Home delivered meals	-	-	109,342	-

	Debt Service Funds	Buildings Capital Projects Fund	Solid Waste Management Enterprise Fund	Total
Grants (continued)				
State grants (continued)				
Department of Human Services				
Adult integrated fund	\$ -	\$ -	\$ -	\$ 2,964,956
Alternative Response	-	-	-	246,212
Chemical dependency	-	-	-	118,036
Child care resource and referral	-	-	-	25,865
Child support incentives	-	-	-	219,807
Children's mental health	-	-	-	216,949
Community Social Services Act block grant	-	-	-	3,827,236
Consolidated chemical dependency fund admin	-	-	-	85,792
Food stamps	-	-	-	439
Forgotten children	-	-	-	3,674
Fraud prevention incentives	-	-	-	119,518
Home Delivered Meals	-	-	-	12,835
Homeless Outreach	-	-	-	1,124,250
Medical assistance	-	-	-	489,501
Mentally retarded family subsidy	-	-	-	143,408
MN family investment project employment services	-	-	-	270,072
MN family investment project child care	-	-	-	86,046
Relative custody	-	-	-	449,695
Semi-independent living skills	-	-	-	411,981
Special medical assistance	-	-	-	24,375
Department of Minnesota Housing Finance				
Family homelessness prevention and assistance program	-	-	-	282,248
Department of Natural Resources				
County forest restoration grant	-	-	-	436,000
State trail assistance	-	-	-	355,086
Department of Post Board Training				
Training reimbursement	-	-	-	32,382
Department of Public Safety				
Bullet proof vests	-	-	-	14,480
Influenza Pandemic grant	-	-	-	2,067
Victim emergency fund	-	-	-	1,000
Total State Grants	\$ -	\$ -	\$ 441,371	\$ 13,781,835

Grants (continued)				
Federal grants				
Department of Agriculture				
Food stamps	\$ -	\$ -	\$ -	\$ 77,628
National forest land	-	-	-	510,000
National forest land - roads and schools	-	-	-	141,767
Women, infants and children (through Community Health Board)	-	-	-	464,026
Department of Commerce				
Coastal zone management administration awards	-	-	-	67,967
Department of Election Assistance Commission				
Help America Vote Act	-	-	-	1,298,929
Department of Health & Human Services				
Adult integrated fund	-	-	-	66,439
Bioterrorism	-	-	-	218,161
Chemically dependency	-	-	-	64,101
Child care	-	-	-	133,053
Child care resource and referral	-	-	-	85,755
Children's mental health	-	-	-	41,782
Foster care	-	-	-	339,138
Home delivered meals	-	-	-	109,342

Special Revenue Funds

	<u>General Fund</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Other</u>
Grants (continued)				
Federal grants (continued)				
Maternal and child health (through Community Health Board)	\$ -	\$ -	\$ 244,712	\$ -
MN family investment project child care	-	-	74,994	-
MN family investment project employment services	-	-	3,647,315	-
Support for emancipation and living functionally	-	-	13,156	-
Temporary aid for needy families	-	-	176,576	-
Title XX block grant	-	-	1,818,512	-
Title IV-B Alternative response	-	-	182,324	-
Department of Housing and Urban Development				
Community development block grants	-	-	-	2,728,725
Emergency shelter grant	85,860	-	-	-
Home investment in affordable housing	-	-	-	1,319,784
Department of Interior				
Payment in lieu of taxes	685,773	-	-	-
Department of Justice				
Bullet proof vests	15,356	-	-	-
Edward Byrne Memorial formula grant program	50,000	-	-	-
Edward Byrne Memorial justice assistance grant program	50,000	-	-	-
Law enforcement block grant	17,624	-	-	-
Department of Transportation				
Alcohol traffic safety and drunk driving-Operation Nightcap	5,224	-	-	-
Highway planning and construction	-	3,395,422	-	-
Safe and sober	26,078	-	-	-
State and community highway safety	9,645	-	-	-
Environmental Protection Agency				
Great Lakes program	-	-	-	-
Radon detection	-	-	6,271	-
Department of Homeland Security				
Boating safety financial assistance	81,378	-	-	-
Emergency management	46,462	-	-	-
Homeland security grant	2,559,603	-	-	-
State domestic preparedness equipment support program	150,692	-	-	-
Total Federal grants	\$ 5,628,314	\$ 3,569,466	\$ 7,763,285	\$ 4,048,509
Other grants				
Local				
Family response	\$ -	\$ -	\$ 70,324	\$ -
Other	-	96,462	-	-
Total Other grants	\$ -	\$ 96,462	\$ 70,324	\$ -
Total Grants	\$ 6,463,814	\$ 3,665,928	\$ 19,511,432	\$ 4,875,650
Total Intergovernmental Revenue	\$ 22,880,137	\$ 26,160,240	\$ 43,057,230	\$ 4,906,941

	Debt Service Funds	Buildings Capital Projects Fund	Solid Waste Management Enterprise Fund	Total
Grants (continued)				
Federal grants (continued)				
Maternal and child health (through Community Health Board)	\$ -	\$ -	\$ -	\$ 244,712
MN family investment project child care	-	-	-	74,994
MN family investment project employment services	-	-	-	3,647,315
Support for emancipation and living functionally	-	-	-	13,156
Temporary aid for needy families	-	-	-	176,576
Title XX block grant	-	-	-	1,818,512
Title IV-B Alternative response	-	-	-	182,324
Department of Housing and Urban Development				
Community development block grants	-	-	-	2,728,725
Emergency shelter grant	-	-	-	85,860
Home investment in affordable housing	-	-	-	1,319,784
Department of Interior				
Payment in lieu of taxes	-	-	-	685,773
Department of Justice				
Bullet proof vests	-	-	-	15,356
Edward Byrne Memorial formula grant program	-	-	-	50,000
Edward Byrne Memorial justice assistance grant program	-	-	-	50,000
Law enforcement block grant	-	-	-	17,624
Department of Transportation				
Alcohol traffic safety and drunk driving-Operation Nightcap	-	-	-	5,224
Highway planning and construction	-	515,175	-	3,910,597
Safe and sober	-	-	-	26,078
State and community highway safety	-	-	-	9,645
Environmental Protection Agency				
Great Lakes program	-	-	7,390	7,390
Radon detection	-	-	-	6,271
Department of Homeland Security				
Boating safety financial assistance	-	-	-	81,378
Emergency management	-	-	-	46,462
Homeland security grant	-	-	-	2,559,603
State domestic preparedness equipment support program	-	-	-	150,692
Total Federal grants	\$ -	\$ 515,175	\$ 7,390	\$ 21,532,139
Other grants				
Local				
Family response	\$ -	\$ -	\$ -	\$ 70,324
Other	-	150,000	-	246,462
Total Other grants	\$ -	\$ 150,000	\$ -	\$ 316,786
Total Grants	\$ -	\$ 665,175	\$ 448,761	\$ 35,630,760
Total Intergovernmental Revenue	\$ 987,379	\$ 890,965	\$ 461,436	\$ 99,344,328

Statistical Section

Schedule 1

ST. LOUIS COUNTY, MINNESOTA
Net Assets by Component
Last Five Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 243,544,232	\$ 254,742,638	\$ 281,959,954	\$ 284,598,787	\$ 304,712,967
Restricted	21,418,157	35,063,432	39,106,761	26,905,894	36,452,547
Unrestricted	57,962,130	52,677,107	46,821,225	77,188,234	68,069,867
Total governmental activities net assets	\$ 322,924,519	\$ 342,483,177	\$ 367,887,940	\$ 388,692,915	\$ 409,235,381
Business-type activities					
Invested in capital assets, net of related debt	\$ 14,469,618	\$ 13,926,745	\$ 14,390,848	\$ 14,201,467	\$ 13,331,890
Restricted	1,546,884	1,380,436	1,695,220	1,354,381	1,432,450
Unrestricted	11,240,066	10,518,855	9,447,853	8,846,260	13,628,137
Total business-type activities net assets	\$ 27,256,568	\$ 25,826,036	\$ 25,533,921	\$ 24,402,108	\$ 28,392,477
Primary government					
Invested in capital assets, net of related debt	\$ 258,013,850	\$ 268,669,383	\$ 296,350,802	\$ 298,800,254	\$ 318,044,857
Restricted	22,965,041	36,443,868	40,801,981	28,260,275	37,884,997
Unrestricted	69,202,196	63,195,962	56,269,078	86,034,494	81,698,004
Total primary government net assets	\$ 350,181,087	\$ 368,309,213	\$ 393,421,861	\$ 413,095,023	\$ 437,627,858

Schedule 2

ST. LOUIS COUNTY, MINNESOTA
Changes in Net Assets
Last Five Fiscal Years
 (accrual basis of accounting)

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities					
General government	\$ 30,120,215	\$ 33,163,387	\$ 30,524,381	\$ 29,100,780	\$ 30,763,681
Public safety	32,573,217	32,616,921	32,556,130	36,138,644	39,759,687
Highways and streets	40,810,535	46,286,039	44,489,431	46,721,613	37,556,032
Health and sanitation	6,489,683	6,561,149	6,493,633	6,148,241	6,824,984
Human services	71,896,032	69,908,477	62,014,749	61,265,538	65,667,980
Culture and recreation	1,204,686	1,116,401	1,727,935	1,314,472	1,601,310
Conservation of natural resources	6,727,307	5,752,492	6,736,966	6,941,801	8,374,838
Economic development	3,612,842	3,998,107	3,579,409	4,318,448	4,602,756
Interest on long-term debt	1,598,511	1,320,624	1,265,887	1,696,061	1,996,722
Total governmental activities expenses	195,033,028	200,723,597	189,388,521	193,645,598	197,147,990
Business-type activities					
Solid Waste Management	5,806,246	5,909,965	5,883,928	6,247,826	6,226,992
Chris Jensen Health and Rehabilitation Center	13,376,137	15,214,467	15,695,780	15,283,241	14,946,088
Other Enterprise Funds	10,085,695	3,387,444	3,240,342	3,081,251	3,222,799
Total business-type activities expenses	29,268,078	24,511,876	24,820,050	24,612,318	24,395,879
Total primary government expenses	\$ 224,301,106	\$ 225,235,473	\$ 214,208,571	\$ 218,257,916	\$ 221,543,869
Program Revenues					
Governmental activities:					
Charges for services:					
General government	\$ 6,599,322	\$ 7,902,502	\$ 7,824,624	\$ 8,132,846	\$ 7,841,220
Public safety	1,793,500	1,671,199	2,202,944	1,887,999	1,999,799
Highways and streets	2,072,733	2,111,520	3,121,653	1,613,892	2,226,187
Health and sanitation	1,672,737	1,392,001	1,692,543	1,911,070	1,679,313
Human services	17,473,829	16,873,401	16,283,231	19,394,617	21,066,096
Culture and recreation	12,000	12,000	12,000	-	-
Conservation of natural resources	8,816,464	9,630,145	10,399,237	14,713,043	13,052,500
Economic development	81,082	-	41,795	27,004	20,967
Operating grants and contributions	42,190,233	43,115,156	36,553,108	40,133,061	40,729,196
Capital grants and contributions	-	4,387,127	26,934,552	9,860,471	13,356,070
Total governmental activities program revenues	80,711,900	87,095,051	105,065,687	97,674,003	101,971,348
Business-type activities:					
Charges for services:					
Solid Waste Management	5,176,566	5,099,943	5,441,373	5,557,064	5,712,990
Chris Jensen Health and Rehabilitation Center	11,019,604	13,666,733	13,814,668	14,644,607	14,347,019
Other Enterprise Funds	8,545,922	3,541,385	3,190,043	3,167,878	3,091,419
Operating grants and contributions	506,416	417,607	455,258	474,575	461,436
Total business-type activities program revenues	25,248,508	22,725,668	22,901,342	23,844,124	23,612,864
Total primary government program revenues	\$ 105,960,408	\$ 109,820,719	\$ 127,967,029	\$ 121,518,127	\$ 125,584,212
Net (Expense)/Revenue					
Governmental activities	\$ (114,321,128)	\$ (113,628,546)	\$ (84,322,834)	\$ (95,971,595)	\$ (95,176,642)
Business-type activities	(4,019,570)	(1,786,208)	(1,918,708)	(768,194)	(783,015)
Total primary government net expense	\$ (118,340,698)	\$ (115,414,754)	\$ (86,241,542)	\$ (96,739,789)	\$ (95,959,657)
General Revenues and Other Changes in Net Assets					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 76,723,143	\$ 76,975,884	\$ 81,653,199	\$ 80,830,475	\$ 85,847,071
Property taxes, levied for debt service	3,904,705	4,741,101	4,675,978	5,518,701	5,605,148
State shared	41,721,817	43,418,625	19,359,587	27,435,818	25,698,357
Federal shared	475,482	626,757	510,000	1,186,130	1,195,773
Investment earnings	3,574,769	1,806,307	1,805,371	4,127,976	7,939,433
Contributions to Permanent Fund	3,281,915	365,163	302,857	107,310	-
Miscellaneous	275,798	158,186	219,662	168,919	169,017
Special Items - capital asset adjustments	6,180,236	-	-	(1,003,816)	-
Transfers	(2,414,056)	-	(394,000)	-	(3,871,044)
Total governmental activities	133,723,809	128,092,023	108,132,654	118,371,513	122,583,755
Business-type activities					
Taxes					
Property taxes, levied for debt service	10,951	118,458	119,525	194,310	169,525
Investment earnings	485,097	237,218	147,299	407,840	732,815
Special Items - capital asset adjustments	(2,324,520)	-	-	-	-
Transfers	2,414,056	-	394,000	-	3,871,044
Total business-type activities	585,584	355,676	660,824	602,150	4,773,384
Total primary government	\$ 134,309,393	\$ 128,447,699	\$ 108,793,478	\$ 118,973,663	\$ 127,357,139
Changes in Net Assets					
Governmental activities	\$ 19,402,681	\$ 14,463,477	\$ 23,809,820	\$ 22,399,918	\$ 27,407,113
Business-type activities	(3,433,986)	(1,430,532)	(1,257,884)	(166,044)	3,990,369
Total primary government	\$ 15,968,695	\$ 13,032,945	\$ 22,551,936	\$ 22,233,874	\$ 31,397,482

Unaudited

Schedule 3

ST. LOUIS COUNTY, MINNESOTA
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Fund				
Reserved	\$ 3,045,922	\$ 2,917,597	\$ 3,878,474	\$ 4,382,632
Unreserved	15,819,983	18,917,839	21,206,438	24,528,641
Total general fund	<u>\$ 18,865,905</u>	<u>\$ 21,835,436</u>	<u>\$ 25,084,912</u>	<u>\$ 28,911,273</u>
All Other Governmental Funds				
Reserved	\$ 4,422,852	\$ 4,892,360	\$ 6,227,799	\$ 4,396,818
Unreserved, reported in:				
Special revenue funds	13,587,639	15,881,312	20,224,550	22,336,173
Capital projects funds	3,350,558	1,519,642	1,308,718	1,191,207
Debt service funds	182,928	571,671	674,677	526,484
Total all other government funds	<u>\$ 21,543,977</u>	<u>\$ 22,864,985</u>	<u>\$ 28,435,744</u>	<u>\$ 28,450,682</u>

Note: Beginning in 2002, the Permanent Fund is included as part of All Other Governmental Funds

Schedule 3

ST. LOUIS COUNTY, MINNESOTA
Fund Balances - Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 3,109,111	\$ 3,427,822	\$ 4,359,705	\$ 5,149,919	\$ 5,309,045	\$ 5,813,912
26,566,261	26,005,574	25,148,993	26,747,457	33,761,123	34,270,114
<u>\$ 29,675,372</u>	<u>\$ 29,433,396</u>	<u>\$ 29,508,698</u>	<u>\$ 31,897,376</u>	<u>\$ 39,070,168</u>	<u>\$ 40,084,026</u>
\$ 3,923,463	\$ 13,675,950	\$ 13,163,407	\$ 14,005,286	\$ 14,525,061	\$ 14,832,107
29,782,861	29,916,085	35,179,919	41,382,779	42,349,756	41,529,699
8,723,849	3,398,760	1,721,331	14,998,627	17,650,526	12,654,202
576,166	886,715	1,339,311	1,643,499	4,820,996	9,887,917
<u>\$ 43,006,339</u>	<u>\$ 47,877,510</u>	<u>\$ 51,403,968</u>	<u>\$ 72,030,191</u>	<u>\$ 79,346,339</u>	<u>\$ 78,903,925</u>

Schedule 4

ST. LOUIS COUNTY, MINNESOTA
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Revenues				
Taxes	\$ 67,980,097	\$ 70,018,231	\$ 74,838,716	\$ 76,677,130
Licenses	138,169	155,517	160,899	149,168
Intergovernmental	85,051,412	81,410,649	87,620,831	98,031,076
Charges for services	7,742,466	8,064,994	8,191,021	7,890,897
Fines and forfeits	941,739	1,304,540	1,518,384	1,664,922
Earnings on investments	3,039,124	3,641,214	4,288,873	4,767,469
Gifts and contributions	35,767	27,318	16,019	22,308
Land and timber sales	-	-	-	-
Miscellaneous	3,037,407	2,955,113	2,374,200	2,782,276
Total revenues	<u>167,966,181</u>	<u>167,577,576</u>	<u>179,008,943</u>	<u>191,985,246</u>
Expenditures				
General government	20,703,016	22,286,171	24,135,233	26,019,233
Public safety	21,907,710	24,096,550	26,193,885	28,119,831
Highways and streets	37,870,953	35,568,624	39,047,314	48,565,287
Health and sanitation	5,343,266	5,586,413	5,778,632	5,887,119
Human services	61,004,376	62,057,460	65,468,999	66,575,230
Culture and recreation	975,862	865,786	1,494,552	1,028,462
Conservation of natural resources	701,061	776,181	782,214	892,776
Economic development	4,045,476	3,662,411	4,169,249	4,095,954
Capital outlay	8,679,244	6,208,048	4,380,477	3,528,135
Debt service:				
Principal	1,255,103	1,621,314	1,683,327	2,505,142
Interest and other charges	1,032,778	1,093,168	1,048,423	1,140,917
Total Expenditures	<u>163,518,845</u>	<u>163,822,126</u>	<u>174,182,305</u>	<u>188,358,086</u>
Excess of revenues over (under) expenditures	<u>4,447,336</u>	<u>3,755,450</u>	<u>4,826,638</u>	<u>3,627,160</u>
Other Financing Sources (Uses)				
Transfers in	618,332	1,408,390	342,771	129,569
Transfers out	(703,264)	(1,408,390)	(622,721)	(399,333)
Sale of capital assets	-	-	-	-
Bonds issued	5,216,621	-	4,000,000	-
Refunding bonds issued	-	-	-	-
Refunding bonds redeemed	-	-	-	-
Bond premium proceeds	-	-	-	-
Capital leases	847,000	96,156	14,046	-
Loan proceeds	-	328,685	7,000	18,000
Total other financing sources (uses)	<u>5,978,689</u>	<u>424,841</u>	<u>3,741,096</u>	<u>(251,764)</u>
Net change in fund balances	<u>\$ 10,426,025</u>	<u>\$ 4,180,291</u>	<u>\$ 8,567,734</u>	<u>\$ 3,375,396</u>
Debt service as a percentage of noncapital expenditures	1.5%	1.7%	1.6%	2.0%

Unaudited

Schedule 4

ST. LOUIS COUNTY, MINNESOTA
Changes in Fund Balances, Governmental Funds,
Last Ten Fiscal Years
(modified accrual basis of accounting)

Fiscal Year						
2001	2002	2003	2004	2005	2006	
\$ 83,738,659	\$ 80,580,107	\$ 81,545,253	\$ 86,425,663	\$ 86,468,064	\$ 90,929,063	
158,961	156,541	155,927	150,938	149,306	156,606	
93,330,327	99,966,871	99,134,331	105,419,772	95,226,136	98,882,892	
8,320,094	9,906,530	10,527,851	10,586,660	10,082,260	12,029,779	
1,770,230	1,660,585	1,592,818	1,622,789	967,127	201,088	
4,399,700	2,772,496	1,500,489	1,534,185	3,633,796	7,011,940	
15,170	8,368	12,045	70,271	169,154	12,457	
7,639,745	12,238,312	9,549,773	10,187,185	10,293,444	11,753,426	
3,092,557	2,632,945	3,702,711	5,018,805	4,511,866	4,312,043	
<u>202,465,443</u>	<u>209,922,755</u>	<u>207,721,198</u>	<u>221,016,268</u>	<u>211,501,153</u>	<u>225,289,294</u>	
26,049,479	29,062,448	30,378,167	32,537,856	29,017,182	29,573,303	
29,882,836	31,465,939	32,071,790	31,936,239	34,963,469	40,881,994	
41,692,425	26,942,419	29,871,734	27,507,107	33,458,062	32,083,124	
6,496,054	6,443,495	6,393,032	6,422,388	6,328,366	6,547,383	
68,918,646	71,463,828	68,312,144	60,857,463	60,302,517	66,254,073	
1,253,810	1,197,054	1,401,759	1,668,794	1,253,974	1,539,447	
9,457,898	6,517,680	5,935,528	6,117,557	6,708,815	7,317,595	
4,672,426	3,608,162	3,996,222	3,545,611	4,323,387	4,641,791	
10,180,270	29,173,329	20,512,869	38,511,561	24,670,343	29,426,501	
3,262,998	10,897,692	4,172,049	5,342,989	4,878,581	5,428,091	
1,475,630	1,554,057	1,388,281	1,218,003	1,704,141	1,987,288	
<u>203,342,472</u>	<u>218,326,103</u>	<u>204,433,575</u>	<u>215,665,568</u>	<u>207,608,837</u>	<u>225,680,590</u>	
<u>(877,029)</u>	<u>(8,403,348)</u>	<u>3,287,623</u>	<u>5,350,700</u>	<u>3,892,316</u>	<u>(391,296)</u>	
692,407	12,849,724	3,961,400	3,774,887	4,064,829	6,675,213	
(784,392)	(15,263,780)	(3,403,400)	(4,168,887)	(4,064,829)	(10,546,257)	
-	-	-	-	899,565	-	
14,270,000	12,415,000	-	17,645,000	6,115,000	-	
-	-	-	-	2,840,000	7,845,000	
-	-	-	-	-	(2,940,000)	
-	171,268	-	126,120	168,361	87,863	
-	-	-	-	-	-	
273,875	27,000	38,535	79,000	-	-	
<u>14,451,890</u>	<u>10,199,212</u>	<u>596,535</u>	<u>17,456,120</u>	<u>10,022,926</u>	<u>1,121,819</u>	
<u>\$ 13,574,861</u>	<u>\$ 1,795,864</u>	<u>\$ 3,884,158</u>	<u>\$ 22,806,820</u>	<u>\$ 13,915,242</u>	<u>\$ 730,523</u>	

2.5%

6.6%

3.0%

3.7%

3.6%

3.8%

Unaudited

Schedule 5

ST. LOUIS COUNTY, MINNESOTA
**Tax Capacity and Estimated Market Value of Property
 Last Ten Fiscal Years**

Fiscal Year Ended December 31	Residential Homestead Property	Agricultural Property	Commercial/ Industrial Property	Non- Homestead Residential Property
1997	\$ 40,148,541	\$ 1,757,163	\$ 33,459,459	\$ 9,806,393
1998	41,711,398	1,657,960	30,391,504	8,742,371
1999	43,602,238	1,744,884	28,468,649	7,040,314
2000	46,212,338	1,929,531	28,959,891	7,164,288
2001	51,067,099	2,168,793	30,172,888	7,901,761
2002	48,461,383	2,032,882	19,263,426	7,330,852
2003	53,637,838	2,457,744	19,753,640	7,423,407
2004	59,887,536	2,793,361	22,854,952	8,739,194
2005	68,144,773	3,250,079	25,640,672	11,016,672
2006	76,328,481	3,743,709	26,490,558	13,064,657

Source: St. Louis County Auditor

Schedule 5

ST. LOUIS COUNTY, MINNESOTA
**Tax Capacity and Estimated Market Value of Property
 Last Ten Fiscal Years**

Commercial/ Residential/ Seasonal/ Recreational Property	Total Net Tax Capacity by Property Type	Total County Tax Rate Per \$100 of Taxable Net Tax Capacity	Estimated Market Value	Total Net Tax Capacity as a Percentage of Estimated Market Value
\$ 8,126,420	\$ 93,297,976	57.4892	\$ 5,438,473,600	1.72%
7,577,330	90,080,563	63.8193	5,754,726,300	1.57%
7,569,240	88,425,325	67.8846	6,140,638,100	1.44%
7,087,965	91,354,013	69.5235	6,588,401,200	1.39%
7,848,648	99,159,189	67.8693	7,323,117,800	1.35%
6,848,552	83,937,095	89.0068	8,145,767,000	1.03%
7,907,779	91,180,408	83.4794	9,092,489,400	1.00%
9,099,194	103,374,237	79.0219	10,411,976,900	0.99%
10,757,806	118,810,002	68.9902	11,926,897,700	1.00%
12,590,714	132,218,119	64.6911	13,086,585,200	1.01%

Schedule 6

ST. LOUIS COUNTY, MINNESOTA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Fiscal Year Ended December 31,	County Direct Tax Rates Per \$100 of Taxable Net Tax Capacity				
	General Levy	Debt Service Levy	Regional Library Levy	Regional Solid Waste Debt Service Levy	Total
1997	54.8065	1.1049	0.2958	1.2821	57.4892
1998	59.7082	2.2595	0.3379	1.5137	63.8193
1999	64.0266	2.2912	0.3803	1.1865	67.8846
2000	65.1481	2.9546	0.3866	1.0341	69.5235
2001	64.4464	3.0459	0.3770	-	67.8693
2002	83.2145	5.2787	0.5135	-	89.0068
2003	77.1046	5.9133	0.4615	-	83.4794
2004	73.3240	5.2636	0.4343	-	79.0219
2005	63.1792	5.3789	0.4321	-	68.9902
2006	59.4039	4.8450	0.4422	-	64.6911

Note: For 2002, the State assumed school levy responsibilities.

Source: St. Louis County Auditor

Schedule 6

ST. LOUIS COUNTY, MINNESOTA
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Overlapping Rates

Independent School District #94	Independent School District #381	Independent School District #698	Independent School District #2142
45.1834	40.1085	58.2193	37.6036
45.6374	40.8047	60.9664	34.2993
50.1784	42.7203	64.3897	34.2581
45.0645	36.9052	52.4279	33.6357
38.5729	32.7404	68.2504	32.8102
33.3146	33.1304	30.2049	9.4238
31.8687	27.0203	60.1461	4.1740
32.0967	22.5780	42.5884	2.3800
30.6592	19.1340	41.4278	3.8191
27.9647	17.0543	45.5389	3.1519

Schedule 7

ST. LOUIS COUNTY, MINNESOTA
Principal Property Tax Payers
Current Year and Nine Years Ago

Taxpayer	2006			1997		
	Net Tax Capacity Value	Rank	Percentage of Total Taxable Net Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total Taxable Net Tax Capacity Value
Minnesota Power	\$ 3,477,770	1	2.63%	\$ 8,174,080	1	8.76%
Miller Hill Mall Co	827,834	2	0.63%			
DM & IR Railway	569,096	3	0.43%			
Great Lakes Gas Transmission Co.	551,208	4	0.42%	1,466,745	4	1.57%
Duluth Winnipeg & Pacific RR	541,706	5	0.41%	1,806,198	3	1.94%
IRET Properties	539,099	6	0.41%			
Enbridge Energy Ltd	486,573	7	0.37%	668,050	9	0.72%
Northern States Power	467,688	8	0.35%			
Consolidated Papers, Inc.	446,378	9	0.34%	1,297,196	5	1.39%
Northwest Airlines Inc.	339,240	10	0.26%			
Lake Superior Paper Ltd				1,975,342	2	2.12%
Great River Energy				848,546	7	0.91%
Square Butte Electric Coop				1,033,369	6	1.11%
Trinity Court				814,864	8	0.87%
USX Corp				661,173	10	0.71%
	<u>\$ 8,246,592</u>		<u>6.24%</u>	<u>\$ 18,745,563</u>		<u>20.09%</u>

Source: St. Louis County Auditor

Schedule 8

ST. LOUIS COUNTY, MINNESOTA
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended December 31	Taxes Levied for the Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years (3)	Total Collections to Date	
		Amount (2)	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 52,019,348	\$ 50,413,050	96.91%	\$ 1,243,262	\$ 51,656,312	99.30%
1998	53,797,862	51,803,156	96.29%	1,871,820	53,674,976	99.77%
1999	55,265,072	53,599,933	96.99%	1,420,948	55,020,881	99.56%
2000	58,510,889	56,746,094	96.98%	1,413,100	58,159,194	99.40%
2001	61,998,393	60,233,499	97.15%	1,438,834	61,672,333	99.47%
2002	60,673,939	59,169,622	97.52%	1,160,024	60,329,646	99.43%
2003	62,241,475	60,638,733	97.42%	1,242,857	61,881,590	99.42%
2004	67,080,535	65,115,787	97.07%	1,299,534	66,415,321	99.01%
2005	67,615,098	65,797,651	97.31%	871,405	66,669,056	98.60%
2006	72,228,139	69,947,539	96.84%	-	69,947,539	96.84%

Notes:

- (1) - Excludes tax credits and certain state aids.
- (2) - Includes some small amounts that are not a part of the certified levy.
- (3) - Amounts are adjusted annually until the applicable year is dropped from the records, after 7 years.

Source: St. Louis County Auditor - Tax Levy Status Report

Schedule 9

ST. LOUIS COUNTY, MINNESOTA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		
	General Obligation Bonds	General Obligation Revenue Notes	Tax Lease Obligations
1997	\$ 2,340,000	\$ -	\$ 17,515,000
1998	2,250,000	217,900	16,400,000
1999	6,150,000	224,900	15,235,000
2000	5,290,000	244,055	14,020,000
2001	18,020,000	518,809	12,745,000
2002	28,997,862	546,204	3,915,000
2003	25,264,664	584,960	3,605,000
2004	38,154,023	552,517	3,280,000
2005	42,752,926	547,836	2,940,000
2006	45,248,107	541,945	-

Source:

See Schedule 13 for population and personal income data.

Schedule 9

ST. LOUIS COUNTY, MINNESOTA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Capital Leases	Business Activities General Obligation Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 3,705,034	\$ 6,772,014	\$ 30,332,048	0.67%	\$ 152
3,374,096	5,562,403	27,804,399	0.58%	140
2,505,603	4,000,184	28,115,687	0.56%	140
2,052,626	3,183,960	24,790,641	0.47%	124
1,583,630	2,327,736	35,195,175	0.66%	175
791,287	600,000	34,850,353	0.62%	174
604,459	515,000	30,574,083	0.53%	154
541,162	420,000	42,947,702	0.70%	217
482,900	320,000	47,043,662	Not Available	239
425,700	215,000	46,430,752	Not Available	237

Schedule 10

ST. LOUIS COUNTY, MINNESOTA
**Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years**

Fiscal Year	General Bonded Debt Outstanding				Net General Bonded Debt Outstanding	Percentage of Estimated Market Value	Per Capita
	General Obligation Bonds	General Obligation Revenue Notes	Tax Lease Obligations	Restricted for Principal Payments			
1997	\$ 2,340,000	\$ -	\$ 17,515,000	\$ 52,022	\$ 19,802,978	0.36%	\$ 99
1998	2,250,000	217,900	16,400,000	165,077	18,702,824	0.32%	94
1999	6,150,000	224,900	15,235,000	172,597	21,437,304	0.35%	107
2000	5,290,000	244,055	14,020,000	96,154	19,457,901	0.30%	97
2001	18,020,000	518,809	12,745,000	-	31,283,809	0.43%	156
2002	28,997,862	546,204	3,915,000	190,032	33,269,035	0.41%	166
2003	25,264,664	584,960	3,605,000	463,144	28,991,480	0.32%	146
2004	38,154,023	552,517	3,280,000	695,711	41,290,829	0.40%	208
2005	42,752,926	547,836	2,940,000	4,039,132	42,201,631	0.35%	214
2006	45,248,107	541,945	-	8,662,484	37,127,569	0.31%	189

Sources:

See Schedule 5 for Estimated Market Values
 See Schedule 13 for population data.

Schedule 11

ST. LOUIS COUNTY, MINNESOTA
Direct and Overlapping Governmental Activities Debt
As of December 31, 2006

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable*</u>	<u>Share of Debt</u>
Direct Debt			
St. Louis County	\$ 46,005,052	100.00%	\$ 46,005,052
Overlapping Debt			
School District #94	23,305,000	5.02%	1,169,911
School District #381	34,725,000	17.86%	6,201,885
School District #698	11,455,000	96.61%	11,066,676
School District #2142	380,000	99.34%	377,492
Western Lake Superior Sanitary District	56,827,738	83.62%	<u>47,519,355</u>
Subtotal, overlapping debt			<u>66,335,319</u>
Total Direct and Overlapping Debt			<u>\$ 112,340,371</u>

*Applicable percentages were estimated by determining the portion of the governmental unit's net tax capacity that is within the county's boundaries and dividing it by each unit's total net tax capacity.

Schedule 12

ST. LOUIS COUNTY, MINNESOTA
 Legal Debt Margin Information
Last Ten Fiscal Years

	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Market value of taxable property	\$ 5,427,265,250	\$ 5,741,577,330	\$ 6,090,275,600	\$ 6,445,493,100
Debt limit (2% of market value)	108,545,305	114,831,547	121,805,512	128,909,862
Debt applicable to limit:				
General obligation bonds	26,627,014	24,430,303	25,610,084	22,738,015
Less: Amount set aside for repayment of general obligation debt	<u>(290,206)</u>	<u>(701,076)</u>	<u>(685,582)</u>	<u>(1,736,508)</u>
Total net debt applicable to limit	26,336,808	23,729,227	24,924,502	21,001,507
Legal debt margin	<u>\$ 82,208,497</u>	<u>\$ 91,102,320</u>	<u>\$ 96,881,010</u>	<u>\$ 107,908,355</u>
Total net debt applicable to the limit as a percentage of the debt limit	24.26%	20.66%	20.46%	16.29%

Source: St. Louis County Auditor - Abstract of Tax Lists

Schedule 12

ST. LOUIS COUNTY, MINNESOTA
 Legal Debt Margin Information
Last Ten Fiscal Years

Fiscal Year					
2001	2002	2003	2004	2005	2006
\$ 6,964,507,000	\$ 7,561,771,500	\$ 8,315,406,800	\$ 9,405,452,818	\$ 10,797,377,000	\$ 12,149,201,810
139,290,140	151,235,430	166,308,136	188,109,056	215,947,540	242,984,036
33,611,545	34,059,066	29,969,624	42,406,540	46,560,761	46,005,052
(1,807,360)	(886,715)	(1,339,311)	(1,643,499)	(4,820,996)	(9,887,917)
31,804,185	33,172,351	28,630,313	40,763,041	41,739,765	36,117,135
<u>\$ 107,485,955</u>	<u>\$ 118,063,079</u>	<u>\$ 137,677,823</u>	<u>\$ 147,346,015</u>	<u>\$ 174,207,775</u>	<u>\$ 206,866,901</u>
22.83%	21.93%	17.22%	21.67%	19.33%	14.86%

Schedule 13

ST. LOUIS COUNTY, MINNESOTA
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population (1)	Personal Income (thousands of dollars) (1)	Per Capita Personal Income (1)	Annual Average Labor Force (2)	School Enrollment (3)	Unemployment Rate (2)
1997	199,649	\$ 4,519,299	22,636	103,548	32,762	5.0%
1998	199,160	4,799,238	24,097	104,549	31,928	4.1%
1999	200,164	4,976,627	24,863	104,278	31,117	4.0%
2000	200,430 (4)	5,260,420	26,246	103,884	30,313	4.4%
2001	200,810 (4)	5,356,256	26,673	108,951	29,388	5.7%
2002	199,867 (4)	5,606,880	28,053	108,622	28,776	5.2%
2003	199,160 (4)	5,802,759	29,136	109,631	28,245	5.5%
2004	198,135 (4)	6,148,548	31,032	105,293	27,523	5.8%
2005	197,179 (4)	Not Available	Not Available	104,581	26,659	4.9%
2006	196,067 (4)	Not Available	Not Available	103,349	26,278	5.0%

Sources:

- (1) - US Department of Commerce, Bureau of Economic Analysis (www.bea.gov/bea/regional)
- (2) - Minnesota Department of Employment and Economic Development (www.deed.state.mn.us)
- (3) - Minnesota Department of Education (<http://education.state.mn.us>)
- (4) - US Bureau of Census (factfinder.census.gov)

Schedule 14

ST. LOUIS COUNTY, MINNESOTA
Principal Employers
Current Year and Six Years Ago

Employer	2006			2000 (Most Historical Data Available)		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
St. Mary's/Duluth Clinic Health System	4,281	1	4.14%	5,196	1	5.00%
Benedictine Healthcare System	3,593	2	3.48%	3,139	2	3.02%
St. Louis County	2,126	3	2.06%	2,254	3	2.17%
University of Minnesota Duluth	1,700	4	1.64%	1,391	6	1.34%
St. Luke's Hospital	1,592	5	1.54%	1,275	9	1.23%
United States Steel (USX)	1,500	6	1.45%	1,650	4	1.59%
Duluth Public Schools	1,426	7	1.38%	1,508	5	1.45%
Allete	1,400	8	1.35%	1,278	8	1.23%
Minntac	1,200	9	1.16%			
Uniprise (United Health Care)	1,100	10	1.06%			
LTV Steel Mining				1,390	7	1.34%
Northwest Airlines				944	10	0.91%
Total	19,918		19.27%	20,025		19.28%

Sources:

- Northland Connection (www.northlandconnection.com/industries/eading.php)
- University of Minnesota Duluth (www.irr.umn.edu/plandata/pd)
- US Department of Education (nces.ed.gov/ccd/bat/)

Schedule 15

ST. LOUIS COUNTY, MINNESOTA
**Full-time Equivalent County Government Employees by Function/Program
 Last Ten Fiscal Years**

<u>Function/Program</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General government	472.40	484.40	489.00	488.50
Public safety	245.90	251.40	255.40	256.40
Highways and streets	337.00	342.00	342.00	343.00
Health and sanitation	101.25	105.25	105.25	105.25
Human services	542.00	531.70	532.10	523.20
Conservation of natural resources	61.60	61.60	63.60	63.60
Solid Waste Management	40.00	40.00	40.00	40.00
Chris Jensen	244.78	230.85	225.76	214.39
Nopeming	211.02	205.03	181.54	163.28
Other Enterprise Funds	<u>56.18</u>	<u>57.18</u>	<u>57.18</u>	<u>57.18</u>
Total	<u>2,312.13</u>	<u>2,309.41</u>	<u>2,291.83</u>	<u>2,254.80</u>

Notes:

Internal Service Funds are included with the general government function.
 The Nopeming Nursing Home was closed in 2003.
 In 2005, The State of MN took over the Courts (previously included in the general government function).

Source: St. Louis County Operating and Capital Budget

Schedule 15

ST. LOUIS COUNTY, MINNESOTA
**Full-time Equivalent County Government Employees by Function/Program
 Last Ten Fiscal Years**

Full-time Equivalent Employees					
2001	2002	2003	2004	2005	2006
489.50	490.78	503.48	500.70	410.20	414.70
258.40	261.40	261.40	261.40	274.70	277.70
343.00	343.00	343.00	323.00	323.00	323.00
104.65	104.65	103.25	100.25	99.25	100.25
524.70	526.70	523.20	504.75	511.80	509.80
64.40	64.40	64.40	63.00	64.00	64.00
40.00	40.00	40.00	40.00	40.00	40.00
208.00	215.15	209.90	231.70	246.40	226.10
154.45	160.84	-	-	-	-
<u>57.18</u>	<u>56.78</u>	<u>56.78</u>	<u>55.78</u>	<u>45.78</u>	<u>45.78</u>
<u>2,244.28</u>	<u>2,263.70</u>	<u>2,105.41</u>	<u>2,080.58</u>	<u>2,015.13</u>	<u>2,001.33</u>

Schedule 16

**ST. LOUIS COUNTY, MINNESOTA
Operating Indicators by Function/Program
Last Ten Fiscal Years**

Function/Program	1997	1998	1999	2000
General Government				
Auditor's Office				
Checks Issued	79,080	79,569	80,411	78,221
Motor Vehicle Driver's License	10,714	11,210	13,691	16,849
Motor Vehicle Passports				
Motor Vehicle Transactions	111,038	106,403	118,774	104,687
Planning - Building Permits Issued				
Single Family Dwelling				
Other				
Public Safety				
Sheriff's Department				
Parking Tickets Issued	15	6	9	12
Arrests	1,355	1,640	1,439	1,460
Traffic Citations	2,789	3,400	3,287	3,202
Highways and Streets				
Road and Bridge				
Miles of Overlay	19.79	25.14	21.47	43.19
Miles of Mill Overlay	0.50			
Miles of Reclaim Overlay				
Miles of Mill Reclaim Overlay				
Miles of Construction	13.59	36.18	37.74	14.80
Miles of Bridge Constructed	0.32	0.18		0.10
Tons of Crushing	287,150	417,000	450,100	488,500
Miles of Crack Seal		82.68	73.86	67.47
Miles of Guard Rail Constructed		2.83	1.20	1.48
Health and Sanitation				
Mines				
Mine Visits and Inspections	681	650	708	684
Human Services				
Social Services				
Public Health Home Visits	8,822	8,705	9,835	8,993
Food Beverage and Lodging Inspections	1,603	1,170	1,361	602
Public Health Nursing Service Screenings	3,182	3,303	3,345	3,386
Unduplicated Children in Out of Home Placement	1,167	1,182	1,081	900
Financial Assistance Cases	15,201	14,520	14,450	14,609
Child Support Cases	9,773	10,363	10,080	10,108
Persons Receiving MR/RC Wavered Services	312	330	343	371
Purchased Social Services (1)	\$ 55,759,934	\$ 56,502,703	\$ 71,849,995	\$ 72,513,963
Social Services Administrative costs (2)	\$ 17,566,479	\$ 18,324,181	\$ 21,161,154	\$ 20,476,811
Conservation of Natural Resources				
Land				
Total Acres of Tax Forfeit Lands	907,736	907,054	899,158	898,306
Contracts Sold	123	122	144	140
Closed Sales	92	140	122	136
Acres Harvested	5,473	8,005	7,315	7,950
Average Size of Sale (Acres)	59	57	60	58
Harvest Volume (Cords)	103,303	177,791	149,636	166,577
Cords Per Sale	1,123	1,270	1,227	1,225
Value	\$ 1,938,410	\$ 3,907,308	\$ 3,528,054	\$ 3,440,905
Average Value Per Sale	21,070	27,909	28,918	25,301
Average Value Per Cord	\$ 19	\$ 22	\$ 24	\$ 21
Average Value Per Cut Acre	\$ 354	\$ 488	\$ 482	\$ 433
Volume Per Cut Acre (Cords)	19	22	20	21
Value Per Tax Forfeit Acre	\$ 2	\$ 4	\$ 4	\$ 4
Solid Waste Management				
Tons of Municipal Solid Waste Landfilled	42,195	44,109	46,298	47,569
Tons of Municipal Solid Waste Processed	1,789	1,600	800	
Tons of Industrial Waste Landfilled	14,301	11,719	12,107	11,701
Tons of Ash Landfilled	6,820	5,103	4,542	5,424
Tons of Recycling Problem Materials	36,905	41,425	42,672	43,173
Tons of Demolition Landfilled	6,380	3,885	3,731	5,272
Chris Jensen				
Licensed Beds (3)	235	235	235	235
Capacity - Resident Days	85,775	85,775	85,775	86,010
Occupancy - Resident Days	80,423	82,028	81,144	81,398
Occupancy Percentage Rate	93.76%	95.63%	94.60%	94.64%
Case Mix (4)	2.79	2.71	2.59	2.72
RUGS (4)				
Medicare Resident Days	12,812	13,677	10,609	11,466
Medicaid Resident Days	55,404	53,985	55,494	55,003
Other Resident Days	12,207	14,366	15,041	14,929

Notes:

- (1) Purchased Social Services are payments made by DHS or Health and Human Services for St. Louis County residents
- (2) Includes children's services, child care, chemical dependency, mental health, developmental disabilities, adult services
- (3) Chris Jensen was licensed for 247 beds until March 31, 1996. At that time, Chris Jensen delicensed 12 beds. Chris Jensen delicensed 15 beds and "laid away" 15 beds beginning July 1, 2003, pursuant to closure of Nopeming Nursing Home and creation of a secure Alzheimer's unit. The current number of licensed beds is 220, but with the "laid away" beds, the count of 205 beds is the beds used to determine occupancy.

Source: Individual County Departments

Schedule 16

ST. LOUIS COUNTY, MINNESOTA
Operating Indicators by Function/Program
Last Ten Fiscal Years

Fiscal Year						
2001	2002	2003	2004	2005	2006	
77,755	80,172	63,649	42,916	39,814	40,225	
17,573	17,822	16,148	16,576	17,294	17,642	
83,918	70,655	56,915	47,418	48,854	49,247	
	271	349	409	337	312	
	674	731	714	795	739	
12	2	2	8	3	-	
1,545	1,503	1,416	1,422	1,929	1,651	
2,675	3,023	2,840	2,660	2,815	3,151	
25.44	31.14	0.50	1.78	7.19	1.62	
		8.18		2.19		
						18.84
2.20	18.85	11.60	21.97	7.08	4.32	
0.44	0.54				13.25	
283,000	543,500	258,000	418,428	372,600	6.00	
83.50	86.38			59.70	386,200	
	1.17	1.07		1.39	47.24	
					0.51	
573	501	531	520	534	675	
7,490	9,440	10,237	9,440	8,740	7,145	
1,197	984	1,236	1,322	1,451	1,383	
3,477	2,714	2,609	2,582	2,339	3,501	
880	910	744	649	712	702	
15,282	16,254	17,447	17,970	18,500	18,750	
10,570	10,512	10,779	11,032	11,200	11,000	
586	657	686	714	707	702	
\$ 83,100,917	\$ 101,747,952	\$ 109,586,274	\$ 114,737,095	\$ n/a	\$ n/a	
\$ 20,569,552	\$ 21,627,497	\$ 21,688,702	\$ 20,758,769	\$ 22,366,144	\$ 20,733,845	
898,161	897,655	898,092	897,196	895,193	894,682	
115	138	109	118	114	118	
118	127	147	124	118	100	
7,767	8,482	9,784	9,527	10,593	7,828	
66	67	67	77	90	78	
189,028	199,728	224,682	207,410	232,627	174,294	
1,602	1,573	1,528	1,673	1,971	1,743	
\$ 4,008,217	\$ 4,919,064	\$ 6,025,985	\$ 6,219,835	\$ 8,165,974	\$ 6,661,905	
33,968	38,733	40,993	50,160	69,203	66,619	
\$ 21	\$ 25	\$ 27	\$ 30	\$ 35	\$ 38	
\$ 516	\$ 580	\$ 616	\$ 653	\$ 771	\$ 851	
24	24	23	22	22	22	
\$ 4	\$ 5	\$ 7	\$ 7	\$ 9	\$ 7	
50,840	50,388	52,322	54,560	53,066	54,039	
8,239	10,163	13,554	17,970	8,621	9,362	
5,506	8,789	10,036	9,953	9,784	10,246	
49,180	50,348	54,723	55,000	55,652	56,605	
6,240	5,708	5,579	4,570	4,844	4,715	
235	235	235/205	205	205	205	
85,775	85,775	80,850	75,030	74,825	74,825	
78,572	66,827	72,634	72,405	72,214	71,734	
91.60%	77.91%	89.84%	96.50%	96.51%	95.87%	
2.80	2.85					
		1.14	1.18	1.17	1.10	
13,412	5,458	10,039	7,967	9,470	6,941	
51,582	51,746	53,788	53,884	48,873	46,478	
13,578	9,623	8,807	10,554	13,871	18,315	

(4) Case mix was the means of categorizing the residents care level and determining the reimbursement rate through September 30, 2002. Beginning October 1, 2002, the state switched to the "RUG" (Resource Utilization Group) method for determining care level and reimbursement.

Schedule 17

ST. LOUIS COUNTY, MINNESOTA
**Capital Asset Statistics by Function/Program,
 Last Ten Fiscal Years**

Function/Program	As of December 31									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Government										
Courthouses	3	3	3	3	3	3	3	3	3	3
Motor Pool Vehicles	122	117	113	113	115	115	113	115	109	117
Parking Ramp	1	1	1	1	1	1	1	1	1	1
Public Safety										
Vehicles	103	106	109	114	117	119	124	120	123	121
Jail and Lockup Facilities	1	3	3	3	3	3	3	3	3	3
Emergency Operations Center	-	-	-	-	-	1	1	1	1	1
Highways and Streets										
Vehicles	219	222	215	219	220	219	218	218	210	214
Miles of County Road	1,619	1,619	1,619	1,619	1,619	1,619	1,598	1,578	1,578	1,583
Miles of County State Aid Road	1,577	1,577	1,577	1,577	1,577	1,577	1,386	1,385	1,385	1,385
Number of Bridges	599	599	599	599	604	604	605	605	605	604
Garages and Storage Buildings	58	61	61	64	57	82	86	86	86	86
Graders, Loaders and Heavy Trucks	409	405	403	408	401	397	398	397	394	400
Health and Sanitation										
Nursing Homes	2	2	2	2	2	1	1	1	1	1
Demolition Landfill	1	1	1	1	1	1	1	1	1	1
Regional Landfill	1	1	1	1	1	1	1	1	1	1
Recyclables Processing Facility	1	1	2	2	1	1	1	1	1	1
Transfer Station	5	5	5	5	5	5	5	5	5	5
Laundry Facility	1	1	1	1	1	1	1	1	1	1
Human Services										
Office Buildings	1	1	1	1	1	2	2	2	2	2
Culture and Recreation										
Heritage and Arts Center	1	1	1	1	1	1	1	1	1	1
Conservation of Natural Resources										
Vehicles	44	50	52	52	49	50	49	50	51	50
Offices and Garages	7	7	8	8	8	8	8	8	8	8
Graders, Loaders and Heavy Trucks	10	10	10	10	9	10	11	11	11	14

Sources:

St. Louis County Auditor
 Individual County Departments